ENERGY WORLD CORPORATION LTD.

Energy World Corporation Limited and its controlled entities

ABN 34 009 124 994

Preliminary Final Report
30 June 2010

Appendix 4E
Energy World Corporation Limited and its Controlled Entities
ABN 34 009 124 994

Results for announcement to the market

		2010 *$US'000*
Revenue	Down 1.77%	93,461
Profit before extraordinary items after tax attributable to members	Up 337.79%	20,369
Net Profit before extraordinary items for the period attributable to members	Up 320.49%	20,091

Dividends	
Final dividend	NIL
Previous corresponding period	NIL
Record date for determining entitlements to the dividend:	N/A

Energy World Corporation Limited

ABN 34 009 124 994

Preliminary Financial Report

30 June 2010

Energy World Corporation Limited and its Controlled Entities
Statement of Comprehensive Income
For The Year Ended 30 June 2010

	Notes	Consolidated 2010 US$000	2009 US$000
Sales Revenue	6(c)	**93,461**	95,141
Cost of Sales		**(43,394)**	(41,969)
Gross profit		**50,067**	53,172
Other income		**36**	662
Reversal of impairment of property, plant and equipment	6(d)	**3,292**	-
Depreciation and amortisation expenses		**(19,950)**	(17,050)
Other expenses		**(8,651)**	(11,836)
Results from operating activities		**24,794**	24,948
Financial income		**4,063**	7,545
Financing expenses		**(7,595)**	(11,641)
Net financing expenses	6(d)	**(3,532)**	(4,096)
Foreign currency exchange gain /(loss)	6(d)	**6,774**	(23,929)
Profit / (loss) before related income tax expense		**28,036**	(3,077)
Income tax expense	6(d)	**(7,667)**	(5,489)
Net profit / (loss) for the period		**20,369**	(8,566)
Other comprehensive income			
Cash flow hedges gain /(loss) taken to equity		**803**	26
Foreign currency translation		**2,497**	(5,277)
Other comprehensive income for the period, net of tax		**3,300**	(5,251)
Total comprehensive income for the period		**23,669**	(13,817)
Profit for the period is attributable to:			
Non-controlling interest		**278**	546
Owners of the parent		**20,091**	(9,112)
		20,369	(8,566)
Total comprehensive income for the period is attributable to:			
Non-controlling interest		**278**	546
Owners of the parent		**23,391**	(14,363)
		23,669	(13,817)

		2010 Cents	2009 Cents
Basic earnings / (loss) per share attributable to ordinary equity holders	3	**1.29**	(0.58)
Diluted earnings / (loss) per share attributable to ordinary equity holders	3	**1.29**	(0.58)

The statement of comprehensive income is to be read in conjunction with the notes to the financial statements.

Energy World Corporation Limited and its Controlled Entities
Statement of Financial Position
As At 30 June 2010

	Notes	Consolidated 2010 US$000	2009 US$000
Current Assets			
Cash assets	4	**58,696**	64,094
Cash held in reserve accounts		**37,012**	37,095
Trade & other receivables		**26,930**	9,840
Inventories		**4,049**	2,928
Prepayment		**2,374**	2,027
Total Current Assets		**129,061**	115,984
Non-Current Assets			
Cash held in reserve accounts		**140,756**	142,867
Oil and gas assets		**69,933**	63,775
Exploration and evaluation expenditure		**57,611**	48,981
Property, plant and equipment		**376,626**	359,649
Total Non-Current Assets		**644,926**	615,272
Total Assets		**773,987**	731,256
Current Liabilities			
Trade and other payables		**26,140**	21,000
Interest-bearing borrowings		**72,608**	18,050
Hedging liabilities		**2,455**	3,677
Provisions		**140**	130
Total Current Liabilities		**101,343**	42,857
Non-Current Liabilities			
Interest-bearing borrowings		**184,746**	231,979
Deferred tax liabilities	6(e)	**66,630**	58,929
Provisions		**4,496**	4,388
Total Non-Current Liabilities		**255,872**	295,296
Total Liabilities		**357,215**	338,153
Net Assets		**416,772**	393,103
Equity			
Issued capital	2	**376,534**	376,534
Asset revaluation reserve		**19,211**	19,211
Cash flow hedge reserve		**(229)**	(1,032)
Foreign currency translation reserve		**(2,594)**	(5,091)
Accumulated profits/ (losses)		**16,811**	(3,280)
Shareholders' equity attributable to members of Energy World Corporation Limited		**409,733**	386,342
Non-controlling interest		**7,039**	6,761
Total Equity		**416,772**	393,103

The statement of financial position is to be read in conjunction with the notes to the financial statements.

Energy World Corporation Limited and its Controlled Entities

Statements of Changes in Equity

For The Year Ended 30 June 2010

	Issued capital US$'000	Asset revaluation reserve US$'000	Cash flow hedge reserve US$'000	Foreign currency translation reserve US$'000	Accumulated profits / (losses) US$'000	Owners of the Parent US$'000	Non - Controlling Interest US$'000	Total Equity US$'000
Balance at 1 July 2009	376,534	19,211	(1,032)	(5,091)	(3,280)	**386,342**	6,761	**393,103**
Profit for the period	-	-	-	-	20,091	**20,091**	278	**20,369**
Other comprehensive income	-	-	803	2,497	-	**3,300**	-	**3,300**
Total comprehensive income for the period	-	-	803	2,497	20,091	**23,391**	278	**23,669**
Balance at 30 June 2010	**376,534**	**19,211**	**(229)**	**(2,594)**	**16,811**	**409,733**	**7,039**	**416,772**
Balance at 1 July 2008	376,534	19,211	(1,058)	186	5,832	**400,705**	6,215	**406,920**
Profit / (loss) for the period	-	-	-	-	(9,112)	**(9,112)**	546	**(8,566)**
Other comprehensive income	-	-	26	(5,277)	-	**(5,251)**	-	**(5,251)**
Total comprehensive income for the period	-	-	26	(5,277)	(9,112)	**(14,363)**	546	**(13,817)**
Balance at 30 June 2009	376,534	19,211	(1,032)	(5,091)	(3,280)	**386,342**	6,761	**393,103**

The statement of changes in equity is to be read in conjunction with the notes to the financial statements.

Energy World Corporation Limited and its Controlled Entities
Statements of Cash Flow
For The Year Ended 30 June 2010

	Notes	Consolidated 2010 US$000	2009 US$000
Cash Flows From Operating Activities			
Receipts from customers (GST inclusive)		**84,699**	98,646
Payments to suppliers and employees (GST inclusive)		**(61,567)**	(58,362)
Income Tax Paid		**(9,425)**	(6,060)
Insurance proceeds		**8,500**	662
Interest received		**3,911**	7,515
Net Cash Flows From/(Used in) Operating Activities		**26,118**	42,401
Cash Flows From Investing Activities			
Payments for property, plant and equipment		**(14,835)**	(117,461)
Payments for exploration and evaluation		**(4,087)**	(2,973)
Payments for oil and gas assets		**(11,551)**	-
Interest paid		**(9,485)**	(8,152)
Net Cash Flows Used in Investing Activities		**(39,958)**	(128,586)
Cash Flows From Financing Activities			
Transfer (to)/ from restricted deposit and reserve accounts		**2,194**	(86,614)
Borrowing transaction costs		**(1,536)**	(4,493)
Repayment of borrowings – related parties		**(5,359)**	(6,907)
Repayment of borrowings – other		**(21,383)**	(65,740)
Proceeds from borrowings – other		**29,275**	183,882
Net Cash Flows Used in Investing Activities		**3,191**	20,128
Net Decrease In Cash Held		**(10,649)**	(66,057)
Cash at the beginning of the year		**64,094**	159,073
Net foreign exchange differences		**5,251**	(28,922)
Cash at the end of the financial year		**58,696**	64,094

The statements of cash flows should be read in conjunction with the notes to the financial statements.

NOTES TO FINANCIAL INFORMATION

1. Statement of Significant Accounting Policies

(a) Basis of Preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, applicable Accounting Standards and interpretations and other authoritative pronouncements of the Australian Accounting Standards Board.

The financial report is presented in United Stated dollars and is prepared on the historical cost basis except for derivative financial instruments that have been measured at fair value. All values are rounded to the nearest thousand dollars ($'000) unless otherwise stated under the option available to the company under ASIC Class Order 98/0100. The company is an entity to which the class order applies.

The accounting policies have been applied consistently throughout the consolidated entity for purposes of this financial report.

(b) Basis of Consolidation

The consolidated financial statements comprise the financial statements of Energy World Corporation Limited and its controlled entities as at 30 June 2010.

(i) Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Investments in subsidiaries are carried at their cost of acquisition in the Company's financial statements, less any impairment charges.

A change in the ownership interest of a subsidiary that does not result in a loss of control, is accounted for as an equity transaction.

Non-controlling interests are allocated their share of net profit after tax in the statement of comprehensive income and are presented within equity in the consolidated statement of financial position, separately from the equity of the owners of the parent.

Losses are attributed to the non-controlling interest even if that results in a deficit balance.

(ii) Associates

Associates are those entities in which the consolidated entity has significant influence, but not control, over the financial and operating policies. The consolidated financial statements includes the consolidated entity's share of the total recognised gains and losses of associates on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases. When the consolidated entity's share of losses exceeds its interest in an associate, the consolidated entity's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the consolidated entity has incurred legal or constructive obligations or made payments on behalf of an associate.

NOTES TO FINANCIAL INFORMATION

1. Summary of Significant Accounting Policies (continued)

(b) Basis of Consolidation (continued)

(iii) Jointly Controlled Entities

In the consolidated financial statements, investments in jointly controlled entities, including partnerships, are accounted for using equity accounting principles. Investments in joint venture entities are carried at the lower of the equity accounted amount and recoverable amount

The consolidated entity's share of the jointly controlled entity's net profit or loss is recognised in the consolidated statement of financial performance from the date joint control commenced until the date joint control ceases. Other movements in reserves are recognised directly in the consolidated reserves.

In the Company's financial statements, investments in joint venture entities are carried at cost.

(iv) Jointly Controlled Operations and Assets

The interest of the Company and of the consolidated entity in unincorporated joint ventures and jointly controlled assets are brought to account by recognising in its financial statements the assets it controls, the liabilities that it incurs, the expenses it incurs and its share of income that it earns from the sale of goods or services by the joint venture.

(c) Statement of Compliance

The financial report complies with Australian Accounting Standards and International Financial Reporting Standards as issued by the International Accounting Standards Board.

(d) New Accounting Standards and Interpretations

From 1 July 2009 the Company has adopted the following Standards for annual reporting periods beginning on or after 1 January 2009. Adoption of these standards does not have any effect on the financial performance or position of the Company except as described below:

AASB 8: Operating Segments
AASB 8 replaces AASB 114 *Segment Reporting* upon its effective date. The Consolidated Entity concluded that the operating segments determined in accordance with AASB 8 are different to the business segments previously identified under AASB 114. AASB 8 disclosures are shown in note 6, including the revised comparative information.

AASB 101: Presentation of Financial Statements
The revised Standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented in a reconciliation of each component of equity and included in the new statement of comprehensive income. The statement of comprehensive income presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Consolidated Entity has elected to present one statement.

NOTES TO FINANCIAL INFORMATION (continued)

1. Summary of Significant Accounting Policies (continued)

(d) New Accounting Standards and Interpretations (continued)

AASB 7: Financial Instruments: Disclosures
The amended Standard requires additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to all financial instruments recognised and measured at fair value are to be disclosed by source of inputs using a three level fair value hierarchy, by class. In addition, a reconciliation between the beginning and ending balance for level 3 fair value measurements is now required, as well as significant transfers between levels in the fair value hierarchy. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management. The fair value measurement and liquidity risk disclosures are presented in note 6.

AASB 123: Borrowing Costs
The revised AASB 123 requires capitalisation of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. There is no change to the accounting policy of the Group as a result of the amended standard.

AASB 127: Consolidated and separate financial statements
The revised AASB 127 requires that a change in the ownership interest of a subsidiary (without a change in control) is to be accounted for as a transaction with owners in their capacity as owners. Therefore such transactions will no longer give rise to goodwill, nor will they give rise to a gain or loss in the statement of comprehensive income. Furthermore the revised Standard changes the accounting for losses incurred by a partially owned subsidiary as well as the loss of control of a subsidiary. The changes in AASB 127 (revised 2008) will affect future acquisitions, changes in, and loss of control of, subsidiaries and transactions with non-controlling interests.

Australian accounting standards and interpretations that have recently been issued or amended but are not yet effective, have not been adopted by the Group for the reporting period 30 June 2010. These are outlined in the table on the next page:

NOTES TO FINANCIAL INFORMATION (continued)

1. Summary of Significant Accounting Policies (continued)

(d) New Accounting Standards and Interpretations (continued)

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
AASB 2009-5	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 & 139]	The amendment to AASB 136 clarifies that the largest unit permitted for allocating goodwill acquired in a business combination is the operating segment, as defined in IFRS 8 before aggregation for reporting purposes. The main change to AASB 139 clarifies that a prepayment option is considered closely related to the host contract when the exercise price of a prepayment option reimburses the lender up to the approximate present value of lost interest for the remaining term of the host contract. The other changes clarify the scope exemption for business combination contracts and provide clarification in relation to accounting for cash flow hedges.	1 January 2010	There are no foreseeable impact on the financial results of the Group.	1 July 2010
AASB 124 (Revised)	Related Party Disclosures (December 2009)	The revised AASB 124 simplifies the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition, including: (a) the definition now identifies a subsidiary and an associate with the same investor as related parties of each other; (b) entities significantly influenced by one person and entities significantly influenced by a close member of the family of that person are no longer related parties of each other; and (c) the definition now identifies that, whenever a person or entity has both joint control over a second entity and joint control or significant influence over a third party, the second and third entities are related to each other. A partial exemption is also provided from the disclosure requirements for government-related entities. Entities that are related by virtue of being controlled by the same government can provide reduced related party disclosures.	1 January 2011	There are no foreseeable impacts of the revised standard on the disclosures of the Group.	1 July 2011

NOTES TO FINANCIAL INFORMATION (continued)

1. Summary of Significant Accounting Policies (continued)

(d) New Accounting Standards and Interpretations (continued)

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
AASB 2009-14	Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement	(a) These amendments arise from the issuance of Prepayments of a Minimum Funding Requirement (Amendments to IFRIC 14). The requirements of IFRIC 14 meant that some entities that were subject to minimum funding requirements could not treat any surplus in a defined benefit pension plan as an economic benefit. The amendment requires entities to treat the benefit of such an early payment as a pension asset. Subsequently, the remaining surplus in the plan, if any, is subject to the same analysis as if no prepayment had been made.	1 January 2011	The amendment is expected to have an immaterial impact on the Group's financial statements.	1 July 2011
AASB 1053	Application of Tiers of Australian Accounting Standards	This Standard establishes a differential financial reporting framework consisting of two Tiers of reporting requirements for preparing general purpose financial statements: (a) Tier 1: Australian Accounting Standards; and (b) Tier 2: Australian Accounting Standards – Reduced Disclosure Requirements. Tier 2 comprises the recognition, measurement and presentation requirements of Tier 1 and substantially reduced disclosures corresponding to those requirements. The following entities apply Tier 1 requirements in preparing general purpose financial statements: (a) for-profit entities in the private sector that have public accountability (as defined in this Standard); and (b) the Australian Government and State, Territory and Local Governments. The following entities apply either Tier 2 or Tier 1 requirements in preparing general purpose financial statements: (a) for-profit private sector entities that do not have public accountability; (b) all not-for-profit private sector entities; and (c) public sector entities other than the Australian Government and State, Territory and Local Governments.	1 July 2013	The Group expects to apply Tier 1 requirements when the standard becomes effective.	1 July 2013

NOTES TO FINANCIAL INFORMATION (continued)

1. Summary of Significant Accounting Policies (continued)

(d) New Accounting Standards and Interpretations (continued)

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
AASB 9	Financial Instruments	AASB 9 includes requirements for the classification and measurement of financial assets resulting from the first part of Phase 1 of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement (AASB 139 Financial Instruments: Recognition and Measurement). These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes from AASB 139 are described below. (a) Financial assets are classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows. This replaces the numerous categories of financial assets in AASB 139, each of which had its own classification criteria. (b) AASB 9 allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument. (c) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.	1 January 2013	There are no material impacts of the new standard on the disclosures of the Group.	1 July 2013

NOTES TO FINANCIAL INFORMATION (continued)

2. Issued Capital

	Consolidated 2010 US$000	2009 US$000
Issued capital	**376,534**	376,534
Number of ordinary shares, issued and fully paid	**1, 561,166,672**	1, 561,166,672

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders meetings. In the event of winding up of the Company, ordinary shareholders rank after all other shareholders and creditors and are fully entitled to any proceeds of liquidation.

3. Earnings Per Share (EPS)

The calculation of basic earnings per share for the year ended 30 June 2010 was based on the profit attributable to ordinary shareholders of $20,091,000 (2009: $9,112,000 loss) and a weighted average number of ordinary shares outstanding during the year ended 30 June 2010 of 1,561,166,672 (2009:1,561,166,672).

	Consolidated 2010 US$'000	2009 US$'000
Earnings reconciliation		
Profit/(loss) attributable to ordinary shareholders, basic and diluted earnings	**20,091**	(9,112)
	2010 Number	2009 Number
Weighted average number of shares used as a denominator		
Number for basic and diluted earnings per share	**1,561,166,672**	1,561,166,672
	2010 Cent	2009 Cent
Profit/(loss) per share basic and diluted – cent per share	**1.29**	(0.58)

4. Notes to the statement of cash flows

Reconciliation of cash

For the purpose of the statements of cash flows, cash includes cash on hand and at bank and short term deposits at call, net of outstanding bank overdrafts. Cash as at the end of the financial year as shown in the statements of cash flows is reconciled to the related items in the statements of financial position as follows:

	Consolidated 2010 US$000	2009 US$000
Cash assets	**58,696**	64,094
Closing cash balance	**58,696**	64,094

5. Subsequent Events

On 8 August 2010 Energy World Corporation announced that its American Depository Receipts have obtained quotation on the OTCQX International exchange in the United States. No other subsequent events with potential impact in 30 June 2010 financial statements occurred post the balance sheet date.

6. Operating Segments

(a) Identification of reportable segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the board of directors (the chief operating decision makers) in assessing performance and in determining the allocation of resources.

The operating segments are identified by management based on geographic locations in which the Group operates, and the nature of the activity performed by the Group. The Group has determined that it has five operating segments, being: oil and gas in Australia, power in Australia, oil and gas in Indonesia, power in Indonesia, LNG in Indonesia.

Discrete financial information about each of these operating businesses is reported to the executive management team on at least a monthly basis.

The reportable segments are based on aggregated operating segments determined by the similarity of the products produced and sold and/or the future products to be produced, as these are the sources of the Group's major risks and have the most effect on the rates of return.

(b) Accounting policies and inter-segment transactions

The accounting policies used by the Group in reporting segments internally are the same as those contained in this half year financial report and the annual financial report for the year ended 30 June 2010.

(c) Major customers

The Group supplies Indonesian Government agencies that combined account for 94% of external revenue (2009: 95%) The next most significant customer accounts for 5% (2009: 4%)

Revenue from external customers by geographic locations is detailed below. Revenue is attributed to geographic location based on the location of the customers. The Company does not have external revenues from external customers that are attributable to any foreign country other than as shown.

	2010	2009
	US$'000	US$'000
Indonesia	**87,682**	90,294
Australia	**5,779**	4,847
Total revenue	**93,461**	95,141

6. Operating Segments (continued)

(d) Segment revenue, expenses, assets and liabilities

Inter-segment pricing is determined on an arm's length basis.

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly income-earning assets, interest-bearing loans, borrowings and expenses, and corporate assets and expenses.

	Australia				Indonesia				LNG Project Development		Total	
	Oil & Gas		Power		Oil & Gas		Power					
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009
	US$'000	US$'000	**US$'000**	US$'000	**US$'000**	US$'000	**US$'000**	US$'000	**US$'000**	US$'000	**US$'000**	US$'000
Sales revenue	**785**	976	**4,994**	3,872	**22,798**	21,510	**64,884**	68,783	-	-	**93,461**	95,141
Result												
Segment result	**178**	88	**711**	1,197	**16,204**	16,355	**23,136**	27,661	-	-	**40,229**	45,301
Depreciation and amortisation	**(523)**	(442)	**(708)**	(583)	**(5,478)**	(3,979)	**(13,198)**	(12,026)	-	-	**(19,907)**	(17,030)
Reversal of impairment of property, plant and equipment									**3,292**	-	**3,292**	-
Net financing cost											**(3,532)**	(4,096)
Unallocated corporate result											**1,180**	(3,323)
Foreign currency exchange gain/(loss)											**6,774**	(23,929)
Profit/(loss) before income tax											**28,036**	(3,077)
Income tax expense											**(7,667)**	(5,489)
Non-controlling interest											**(278)**	(546)
Net profit/(loss)											**20,091**	(9,112)
Other Comprehensive income/(loss)											**3,300**	(5,251)
Segment assets	**40,451**	29,364	**6,607**	6,420	**129,399**	114,180	**185,208**	197,303	**208,192**	184,264	**569,857**	531,531
Segment liabilities	**(2,908)**	(1,604)	**(384)**	(306)	**(20,779)**	(9,462)	**(58,800)**	(79,056)	**(6,778)**	(1,499)	**(89,649)**	(91,927)

6. Operating Segments (continued)

(e) Segment assets and liabilities reconciliation to the statement of financial position

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly income-earning assets and revenue, interest-bearing loans, borrowings and expenses, and corporate assets and expenses.

Reconciliation of segment operating assets to total assets:

	2010 US$'000	2009 US$'000
Segment operating assets	**569,857**	531,531
Cash - Corporate	**40,029**	42,617
Cash held in reserve accounts	**160,641**	155,855
Prepayments and other	**3,460**	1,253
Total assets per the statement of financial position	**773,987**	731,256

Reconciliation of segment operating liabilities to total liabilities:

	2010 US$'000	2009 US$'000
Segment operating liabilities	**89,649**	91,927
Deferred tax liabilities	**66,630**	58,929
Interest-bearing borrowings	**200,889**	187,169
Provisions and other	**47**	128
Total liabilities per the statement of financial position	**357,215**	338,153

7. Contingent Liabilities

Details of our Group's contingent liabilities, where the probability that payment will be required is not considered remote, are set out below, as well as details of contingent liabilities which, although considered remote, our Directors consider should be disclosed:

(a) BPMigas Participation

The Sengkang PSC provides that BPMigas is entitled to acquire (via a BPMigas nominated entity) an undivided 10% interest in EEES′ rights and obligations under the Sengkang PSC by payment of an amount equal to the sum of (i) 10% of the unrecovered operating costs balance as at 24 October 2000, approximately US$40 million, and (ii) 10% of the bonuses paid to BPMigas under the Sengkang PSC, totalling US$6.5 million (the "Amount"). On acquiring a 10% participating interest BPMigas would also be obliged to pay 10% of the future operating costs of the Sengkang PSC.

Under the Sengkang PSC conditions, Pertamina (BPMigas' predecessor) was required to advise EEES by 23 January 2001 whether it planned to pay either (a) 100% of the Amount to EEES in cash; or (b) 150% of the Amount to EEES by way of instalments of 50% of its share of production from its 10% participation in the Sengkang PSC. Whilst Pertamina did advise EEES of its intention to acquire a 10% participating interest in the Sengkang PSC, it did not advise EEES whether it would pay in cash or out of its share of production.

7. **Contingent Liabilities (continued)**

(a) BPMigas Participation (continued)

Any cash payment should have been made by Pertamina (BPMigas' predecessor) by 23 January 2001 and any payment out of production should have commenced from the first sale of oil or gas from the Sengkang Contract Area after 24 October 2000. No cash payment or payment out of production has been made.

EEES therefore continues to have a 100% interest in the Sengkang PSC. It is not clear whether BPMigas' right to acquire the 10% participation right is still exercisable, given among other matters that the deadlines mentioned above have not been complied with. Based on the terms of the PSC, our Directors are of the view that no material adverse impact on EEES' business or operations would arise from any valid exercise of the 10% participation right.

(b) Recovery of Operating Costs - EEES

The Indonesia State Auditors (BPKP) and BPMIGAS auditors have completed their audit of EEES petroleum operations under the Sengkang PSC for the calendar years up to 2008. Costs disallowed by BPKP and BPMIGAS which are not eligible for cost recovery under the Sengkang PSC terms, including the Company's legal, finance, tax advisory and external audit costs, have been excluded from the claim for recovery of costs.

The Operating Costs have been claimed by the Company and recovered out of gas revenues, however BPKP and BPMIGAS auditors have so far agreed to part of the claimed amounts, pending further consideration of the basis for the claims. The Company is pursuing these claimed amounts as they are believed to be properly based and in accordance with the provisions of the Sengkang PSC and approvals obtained, and expects that they will be favorably resolved in due course.

- **Interest Cost Recovery**

  In April 2004, BPMIGAS approved the granting of the Interest Cost Recovery incentive to the Company. Through to the end of 2007, the Company has claimed amounts for Interest Cost Recovery totaling US$10,651,350 while the auditors have only accepted amounts totaling US$4,212,720 due to differences in opinion regarding the period for calculating the Interest Cost Recovery incentive. The Company considers that the Interest Cost Recovery incentive calculation commences from January 1995 (the date for approval of the Kampung Baru Gas field Plan of Development) and applies to all eligible operating costs incurred since that date, while the Auditors consider that the Interest Cost Recovery calculation should commence from 1 October 2000, which was the effective date for revision of the Gas Price. The amounts claimed and accepted are summarized below.

Calendar Year	Amounts Claimed by Company	Amounts Accepted by BPKP and BPMIGAS	Variance
	US$	US$	US$
2004	10,381,274	3,942,644	6,438,630
2005	50,126	50,126	-
2006	72,826	72,826	-
2007	59,341	59,341	-
2008	87,783	TBA	
Total	**10,651,350**	**4,212,720**	**6,438,630**

NOTES TO FINANCIAL INFORMATION (CONTINUED)

7. Contingent Liabilities (continued)

- **Interest Cost Recovery (continued)**

At 30 June 2009 the Company has claimed Interest Cost Recovery amounts totaling US$10,651,350 in respect of the 2004, 2005, 2006, 2007 and 2008 years and has recovered these costs out of gas revenues. If the Interest Cost Recovery amounts are disallowed, the Company's share of gas revenues will be reduced by US$3,863,178 and the Company's corporate and dividend tax expense will increase by US$1,699,798 and the Indonesia State Share of gas revenues will be increased by the same amount and payment would be required out of the Contractor's share of gas revenues. .

Company management have provided the basis and justification for the claims and believe that the claims for Interest Cost Recovery will be eventually be allowed, as the claim has been made on the basis of the approvals from the Coordinating Minister of Economics and Finance (January 2004) and BPMIGAS (April 2004), and the claim and cost recovery amounts are in accordance with the provisions of the Sengkang PSC.

(c) Intra-Group Loans

The Company has given an undertaking that we will not require loans that we have made to wholly owned and controlled entities to be repaid within a 12-month period from 31 August 2010 if doing so would place those entities in a position where they could not pay their debts as and when they fell due.

(d) Deed of Cross Guarantee

The Company and certain wholly owned or controlled entities have entered into a deed of cross guarantee, pursuant to which we and such entities agree to pay any deficiency relating to debts in the event of the winding up of any of the entities that are party to the deed. Apart from the Company, the parties to the cross guarantee are AGL, CEA, CEP, Central Queensland Power Pty Ltd and Energy Equity West Kimberly Pty Ltd.

No provision has been made for any of these matters, as our Directors believe, in each case, either that it is not probable that a future sacrifice of economic benefit will be required or that the amount of such a future sacrifice is not susceptible of being reliably measured.

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Annual Meeting

The annual meeting will be held as follows:

Place:	Royal Automobile Club of Australia 89 Macquarie Street, Sydney NSW 2000
Date:	28 October 2010
Time:	2:00pm

Approximate date the annual report will be available on or before 10 September 2010

Compliance Statement

1. This report gives a true and fair view of the matters disclosed.

2. This report is based on accounts currently being audited.

Sign here: .... Date:31 August 2010
Director

Print name: Ian Jordan