

Eromanga Hydrocarbons NL

A.C.N. 000 752 849

2009 FINANCIAL REPORT





COMPANY PARTICULARS

Directors

Mr Michael Goldhirsch
Mr Joshua Goldhirsch
Mr Philip Galloway
Mr Stephen Shnider
Mr Christian Turner
Mr John Weston

Secretary

Mr Joshua Goldhirsch

Solicitors to the Company

Quinert Rodda & Associates
Level 19, 500 Collins Street
Melbourne Victoria 3000

Bankers

Westpac Banking Corporation
360 Collins Street
Melbourne Victoria 3000

Registered Office

Level 15, 484 St Kilda Road
Melbourne Victoria 3004

Auditors

Grant Thornton
Level 2, 215 Spring Street
Melbourne Victoria 3000

Share Registry

Computershare Investor
Services Pty Ltd
Yarra Falls
452 Johnston Street
Abbotsford Victoria 3067

Stock Exchange Listing

Shares are listed on ASX.
Code ERH, ERHCA, ERHOA



CHAIRMAN'S REPORT

Year ended 30 June 2009 Highlights

- > Commencement of production from the Harpia Oil Field (Eromanga 40%)
- > Appraisal and testing of the Block 430 Discovery (Eromanga 40%)

Eromanga established itself in Brazil in 2007 and has quickly built its reputation as a successful oil explorer with discoveries at the Harpia Oil Field (previously Block 330) and Block 430. Steady progress has been made to develop these discoveries with a work program that has been commensurate with the company's financial position and its understanding of the fields and their geology.

Achieving first production from the Harpia Oil Field is a testament to the hard work and experience of Eromanga's executive team. The field was discovered in March 2008 and an extended production test commenced in October. The Block was renamed the Harpia Oil Field in 2009 following an appraisal well, PACA2.

Brazil remains one of the most prospective countries in the global oil industry. It has proven petroleum systems, excellent fiscal terms and an independent and experienced industry regulator. Eromanga's established position in the country and strong existing asset base provides a great platform for achieving our corporate goal of **"Becoming a significant producer of oil"**.

Michael Goldhirsch

Chairman
30 September 2009



Crude oil taken from the Harpia oil field production (Eromanga 40%)

CEO'S REPORT

Commencement of production from the Harpia Oil Field signifies important progress towards Eromanga's goal of becoming a significant producer of oil. Harpia was formally declared an oil field in August 2009 by the ANP, Brazil's oil industry regulator. The regulator has approved a 27 square kilometer production ring fence.

Production from PACA 1 began in October 2008 with 14,227Bbl produced over 243 days of operation during the financial year (100% basis). Eromanga's share of production realised \$59,315 after royalties and transportation costs. The production was successfully processed and sold through the existing industry infrastructure and refinery system. Appraisal drilling at PACA 2 provided further data on the reservoirs of the Harpia field and this, together with the PACA 1 production history will provide the engineering basis for the full field development plan.

Appraisal and development work also continued at Block 430 (Eromanga 40%)

with testing of the discovery underway and planning completed for an up-dip appraisal well on the structure.

Plans to drill two exploration wells in the Reconcavo Basin were disrupted by a commercial dispute with the operator of the Joint Venture, Silver Marlin. The Commercial Court of Rio de Janeiro rejected an application by Silver Marlin to remove Eromanga from the Joint Venture. For Eromanga, this was confirmation of the strong legal and regulatory system that exists in Brazil.

Eromanga actively manages its portfolio of opportunities. We continue to screen a large number of oil exploration plays, acquisitions and farm-ins. We also

chose to exit three projects that had less attractive risk/return profiles. These projects were the Edwards Creek Base metals Joint Venture, Victorian Gold Exploration and the Osho Memorandum of Understanding to process waste dumps in South Africa.

The company is now focused on its objective of becoming a significant producer of oil. We have two great assets in the Harpia Oil Field and Block 430 and we are building on our competitive advantage in the on-shore sector of Brazil.

Philip Galloway
Chief Executive Officer
30 September 2009



INTERESTS IN EXPLORATION BLOCKS

Basin	Blocks	Partner	ERH Interest	Status
Sergipe Alagoas	330	Gavea	40%	Production
Sergipe Alagoas	430	Gavea	40%	Appraisal
Reconcavo	59	Silver Marlin	50%	Under review
Reconcavo	138	Silver Marlin	50%	Under review
Sao Fransisco	94	Oil M&S	50%	Under review
Sao Fransisco	133	Gavea	50%	Heads of Agreement
Rio De Peixe	71	Gavea	40%	Heads of Agreement
Rio De Peixe	72	Gavea	40%	Heads of Agreement
Mineral Exploration License	Blocks	Partner	ERH Interest	Status
Exploration License (Vic)	4705	–	100%	Relinquished
Exploration License (Vic)	4505	–	100%	Relinquished
Exploration License (SA)	3250	ECBMJV	21%	Under review



DIRECTORS

The directors present their report on the results of Eromanga Hydrocarbons NL and the economic entity comprising the Company as the Chief Entity and the entities it controls for the year ended 30 June 2009 and the state of affairs of the Company and the economic entity at that date.



Michael Goldhirsch
Executive Chairman

Mr Goldhirsch is a solicitor and partner in the legal firm of Goldhirsch & Shnider. He is also on the board of Bisan Limited. Mr Goldhirsch was appointed as a Director of Eromanga Hydrocarbons NL in 1987.



Philip Galloway
Chief Executive Officer,
Managing Director

Mr Galloway is a highly experienced resource industry executive who has successfully developed and managed resource businesses around the world. His experience includes executive roles with BHP Billiton and engineering and project management roles at Esso Australia and CRA Ltd. Mr Galloway was appointed as a Director of Eromanga Hydrocarbons NL in 2006.



Christian Turner
Executive Director

Mr Turner is a petroleum geophysicist and has more than twenty years experience in the development of offshore business opportunities. He has been involved in significant transactions involving the financing and establishment of resource projects in Australian and overseas. He is also on the board of Bisan Limited. Mr Turner was appointed as a Director of Eromanga Hydrocarbons NL in 2006.



Joshua Goldhirsch
Chief Financial Officer,
Executive Director &
Company Secretary

Mr Goldhirsch is a solicitor and partner in the legal firm of Goldhirsch & Shnider. Mr Goldhirsch was appointed as a Director of Eromanga Hydrocarbons NL in 2006.



John Weston
Executive Director

Mr Weston is a petroleum geologist with over 30 years of international experience gained with BP, Gaffney, Cline & Associates and Schlumberger. He has had operational and development experience on oil and gas projects around the world. Mr Weston was appointed as a Director of Eromanga Hydrocarbons NL in 2007.



Stephen Shnider
Non-executive Director

Mr Shnider is a solicitor and partner in the legal firm of Goldhirsch & Shnider. He is also on the board of Bisan Limited. Mr Shnider was appointed as a Director of Eromanga Hydrocarbons NL in 1988.

DIRECTORS' REPORT

Independent Advice to Directors

Each director has the right to seek independent professional advice at the economic entity's expense, subject to the prior approval of the chairman.

Business Risk

The board receives regular reports from management on areas where significant business risk or exposure concentrations may exist and reviews the management of these risks.

Ethical Standards

The operations of the company and the economic entity are driven by a statement of professional practice which establishes the professional standards of behaviour required of staff in the conduct of their affairs and in dealing with customers.

Audit

The nomination of external auditors and the adequacy of existing external audit arrangements, including the scope and quality of the audit, is reviewed at board level.

Non-Audit Services

The board of directors has considered the position and is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the services disclosed below did not compromise the external auditors independence for the following reasons:

- > all the non-audit services are reviewed and approved by the directors prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- > the nature of the services provided do not compromise the general principals related to auditor independence as set out in the Accounting Professional and Ethical Standards Board Standard APES110: Code of Ethics for Professional Accountants.

The following fees for non-audit services were paid/payable to the external auditors during the year ended 30 June 2009:

Tax advice: \$29,655

Meetings of Directors

The following table sets out the number of meetings of the company's directors held during the year ended 30 June 2009 and the number of meetings attended by each director.

Director	Total number of meetings held whilst in office	Number of meetings attended
M. Goldhirsch	9	8
P. Galloway	9	9
C. Turner	9	9
J. Goldhirsch	9	9
J. Weston	9	6
S. Shnider	9	7

Principal Activities

The principal continuing activities during the year of the economic entity constituted by Eromanga Hydrocarbons NL and the entities it controlled during the year was resource exploration and investment in Australia and overseas. There were no significant changes in the nature of these activities during the year.

Significant Changes in the State of Affairs

The directors are not aware of any significant change in the state of affairs of the economic entity occurring during the financial year, other than as disclosed in this report.



Crude oil taken from the Harpia oil field production (Eromanga 40%)

Directors' Interests

Particulars of Directors' interests in the shares of Eromanga Hydrocarbons NL as at 30 June 2009 are as follows:

	Beneficially (Held directly or indirectly)	Non Beneficially (Held by companies in which directors may have some voting or dispositive power)
M. Goldhirsch	5,605,441 Fully Paid Shares 1,025,000 Options 4,000,000 Directors Options A Class 4,000,000 Directors Options B Class 1,500,000 Performance Rights (\$0.75 Hurdle) 1,500,000 Performance Rights (\$1.00 Hurdle)	5,000,000 Fully Paid Shares 27,200,000 Partly Paid Shares
P. Galloway	7,641,093 Fully Paid Shares 2,500,000 Options 513,500 Partly Paid Shares 2,000,000 Directors Options A Class 2,000,000 Directors Options B Class 3,000,000 Performance Rights (\$0.75 Hurdle) 3,000,000 Performance Rights (\$1.00 Hurdle)	Nil
C. Turner	9,000,000 Fully Paid Shares 9,192,307 Options 1,500,000 Performance Rights (\$0.20 Hurdle) 1,500,000 Performance Rights (\$0.30 Hurdle) 1,500,000 Performance Rights (\$0.75 Hurdle) 1,500,000 Performance Rights (\$1.00 Hurdle)	5,000,000 Fully Paid Shares 27,200,000 Partly Paid Shares
J. Goldhirsch	5,154,441 Fully Paid Shares 1,163,948 Options 328,000 Partly Paid Shares 500,000 Performance Rights (\$0.75 Hurdle) 500,000 Performance Rights (\$1.00 Hurdle)	Nil
S. Shnider	1,000 Fully Paid Shares 300,000 Performance Rights (\$0.20 Hurdle) 300,000 Performance Rights (\$0.30 Hurdle)	5,000,000 Fully Paid Shares 27,200,000 Partly Paid Shares
J. Weston	6,805,644 Fully Paid Shares 500,000 Performance Rights (\$0.75 Hurdle) 500,000 Performance Rights (\$1.00 Hurdle)	Nil



Consolidated results

The net consolidated operating loss of the economic entity for the year after income tax was \$ 9,346,238 (2008: \$4,465,359).

Dividends

No dividend has been paid or declared by the company since the end of the previous financial year and up to the date of this report. The directors do not recommend that any amount be paid by way of dividend. (2008 No dividend paid).

Review of Operations

The consolidated entity incurred a net loss of \$9,346,238 for the year ended 30 June 2009.

Revenue from ordinary activities increased from \$396,854 (2008) to \$507,255.

Costs from ordinary activities increased from \$4,862,213 (2008) to \$9,853,493.

Corporate Finance & Capital Structure

The Board Announced on 22 June 2009 that it intends to simplify Eromanga's capital structure by offering one ordinary share for every 3.125 ERHCA partly paid securities.

In April 2009 the Company established a \$10 million equity placement facility with Fortrend Securities Pty Ltd. Eromanga can place securities with Fortrend at any time during the three year period ended April 2012.

Operations

1. Gavea Oil & Gas Joint Venture

Sergipe Alagoas Basin, On-shore Brazil
Eromanga 40%

Harpia Oil Field (previously Block 330)

Block 330 became the Harpia oil field on 5 August 2009 following agreement by the ANP to the Joint Venture's proposed 27 square kilometer production ring fence. The ANP is Brazil's oil industry regulator and it approved the production ring fence for Harpia following a technical evaluation of the PACA 1 flow test, the appraisal well at PACA 2 and an assessment of the seismic on the block.

The PACA 1 well produced 14,227 Barrels of oil over 243 days of operation during the year ended 30 June 2009 (100% basis). The production facilities were completed on-time and within budget. The proportion of Basic Sediment & Water ("BSW") has had a generally improving trend as the well produced.

The PACA 2 well was declared a discovery on 14 January 2009 with 243 meters of oil shows intersected. While the well successfully demonstrated the size of the Harpia structure, subsequent flow testing of PACA 2 was disappointing as a result of water ingress behind casing and the formation of an emulsion between the drilling mud, oil and formation water. Data from the tests will ensure that these factors can be better managed in future well and completion design.

Block 430

Flow testing was undertaken at Tatu 1, the discovery well at Block 430. TATU 1 tested oil in two zones within fractured limestone of the Muribeca Formation and registered over 50 meters of oil shows within fractured basement.

As a result of these tests, a drilling and testing plan was developed for the appraisal well, Tatu 2. During the year, site preparation was completed for this well and equipment mobilized.

2. Silver marlin Joint Venture

Reconcavo Basin, on-shore Brazil
Eromanga 50%

Block 138 and 59

Drilling commenced in December at Block 138 but was halted after casing to 850 meters due to a commercial dispute between the Joint Venture parties. Commercial discussions are on-going. A legal case by Silver Marlin to remove Eromanga from the Joint Venture was rejected by the commercial court of Rio de Janeiro.

Site preparation was completed at Block 59.

The ANP extended the deadline for drilling both blocks.

3. Portfolio Management

Eromanga continues to evaluate numerous exploration, farm-in and acquisition opportunities consistent with its strategic objectives.

Eromanga exited its mineral projects in Australia and South Africa to focus on its oil and gas business.



Indemnifying officers and auditors

The company has paid an insurance premium of \$41,250 (inc GST) for directors and officers insurance that will insure directors and officers of the Company against costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of an officer of the company.

Matter subsequent to the end of the financial year

At the date of this report no matter or circumstance has arisen since 30 June 2009 that has significantly affected or may significantly affect:

- (a) the operations, in financial years subsequent to 30 June 2009, of the economic entity constituted by Eromanga Hydrocarbons NL and the entities it controls; or
- (b) the results of those operations; or
- (c) the state of affairs of the economic entity, in financial year subsequent to 30 June 2009.

Likely developments

The likely developments in the operations of the economic entity constituted by Eromanga Hydrocarbons NL and the entities it controls in the subsequent financial years involve the ongoing principal activities of resource exploration and appear in the Review of Operations in this Annual Report. Future developments are dependent upon the success of exploration.

Directors' benefits

No director of the company has, during the financial year, received or become entitled to receive a benefit (other than a salary of a fixed full time employee of the company or a benefit included in the aggregate amount of emoluments received or due and receivable by directors shown in the consolidated accounts) by reason of a contract made by the company or a related entity with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest except amounts which have been paid to a company associated with a director for the rental of the premises and to firms of which certain directors are members for professional services.

Environmental Regulation

The Company's operations are subject to general environmental regulation under the laws of the states and territories of Australia and Brazil in which it operates. In addition the various exploration licenses held by the Company impose environmental obligations on it in relation to site remediation following sampling and drilling programs. The board is aware of these requirements and management has been instructed to ensure that they are complied with. The directors are not aware of any breaches of these environmental regulations and license obligations during the year.

Proceedings on behalf of the company

No proceedings have been brought or intervened in on behalf of the company with leave of the court under Section 237 of the Corporations Act 2001.

Going concern

The Board is focused on ensuring that the Company has sufficient resources to be a going concern and this is detailed in Note 1 (q) in the notes to the financial statements.



REMUNERATION REPORT (AUDITED)

This remuneration report outlines the director and executive remuneration arrangements of the Company and the Group in accordance with the requirements of the Corporations Act 2001 and its Regulations. For the purposes of this report, key management personnel (KMP) of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any director (whether executive or otherwise) of the parent company, and includes the five executives in the Parent and the Group receiving the highest remuneration.

For the purposes of this report, the term 'executive' encompasses the chief executive, senior executives and secretaries of the Parent and the Group.

Details of Key Management Personnel (including the five highest executives of the Company and the Group):

Directors

Mr Michael Goldhirsch, Executive Chairman

Mr Philip Galloway, Chief Executive Officer

Mr Joshua Goldhirsch, Chief Financial Officer

Mr Christian Turner, Chief Exploration Officer

Mr Stephen Shnider, Non-executive Director

Mr John Weston, Executive Director

There were no changes of the CEO or KMP after reporting date and before the date the financial report was authorised for issue.

Remuneration of key management personnel

The company's policy for determining the nature and amounts of emoluments of directors and senior executives of the company is as follows;

The Company does not have a separately constituted remuneration committee. The Company is not of a sufficient size to warrant the existence of a separate remuneration committee. All matters that could be delegated to such a committee are dealt with by the full Board.

The Company seeks to remunerate Directors and executives in accordance with the general principles recommended by the ASX. The Company is committed to remunerating executives in a manner that is market-competitive, reflects duties and supports the interests of shareholders. The Company has not entered into any employment contracts with Key Management Personnel.

Compensation arrangements

The directors are remunerated for their services from the maximum aggregate amount approved by shareholders for that purpose. The amount paid may vary from director to director, depending upon the level of responsibilities on the company's board and the boards of controlled entities. Ordinarily a non-executive Director receives a fixed fee for their services, and does not receive performance based remuneration.

Remuneration for the year ended 30 June 2009

	Short term Salary & Fees	Post Employment Super-annuation	Share-based payment Options/ performance rights	Total	% performance related
	\$	\$	\$	\$	
M. Goldhirsch	60,000	5,400	466,384	531,784	87.70%
P. Galloway	180,000	16,200	922,046	1,118,246	82.45%
C. Turner	150,000	13,500	469,064	632,564	74.15%
J. Goldhirsch	100,000	9,000	164,398	273,398	60.13%
J. Weston	120,000	–	186,252	306,252	60.81%
S. Shnider	50,000	–	3,217	53,217	6.04%
	660,000	44,100	2,211,361	2,915,461	

No remuneration for the year ended 30 June 2009 was paid for; short term benefits (cash bonus, non-monetary benefits), post employment (retirement benefits) or other long term benefits.

Remuneration for the year ended 30 June 2008

	Short term Salary & Fees	Post Employment Super-annuation	Share-based payment Options/ performance rights	Total	% performance related
	\$	\$	\$	\$	
M. Goldhirsch	44,993	3,900	145,637	194,530	75.51%
P. Galloway	119,660	10,620	174,764	305,044	57.60%
C. Turner	104,660	9,270	174,764	288,694	60.88%
J. Goldhirsch	64,993	5,700	145,637	216,330	67.84%
J. Weston (*)	88,000	–	1,177,242	1,265,242	93.04%
S. Shnider	39,994	–	34,953	74,947	46.63%
	462,300	29,490	1,852,997	2,344,787	

Remuneration – Long Term Incentive

The granting of Directors Options was approved by directors at the General Meeting of the Company on 18th July 2006. The granting of Directors Options is to provide long-term incentives for directors to deliver long-term shareholder returns. The options have been granted for no consideration. Directors options granted carry no dividend or voting rights. When exercisable, each option is convertible into one ordinary share.

The establishment of the Eromanga Performance Rights Plan was approved by shareholders at the Annual General Meeting on 30th November 2006. The Performance Rights Plan has been designed to provide long-term incentives for employees and directors to deliver long-term shareholder returns. Under the plan, participants are granted performance rights which only vest if certain performance standards are met. Participation in the plan is at the Board's discretion and no individual has a contractual right to participate in the plan to receive any guaranteed benefits.

The holder of the performance rights is entitled to be issued for nil consideration one fully paid share in the Company for each performance right exercised. The performance hurdles for the performance rights were chosen by the Board of the Company to align remuneration with the creation of shareholder wealth and approved by shareholders at general meetings on 30 November 2006 and 28 August 2007.

Plan Type	Grant Date	Expiry Date	Exercise Price	Balance at start of the year	Performance Hurdle	Granted during the year	Exercised during the year	Forfeited during the year	Balance at end of the year
Consolidated and parent entity – 2009									
Directors Options Class A (g)	24-07-06	24-07-09	\$0.10	6,000,000	–	–	–	–	6,000,000
Directors Options Class B (g)	24-07-06	24-07-09	\$0.20	6,000,000	–	–	–	–	6,000,000
TOTAL				12,000,000					12,000,000

The weighted average contractual life remaining at the end of the financial year was .06 years.

Performance Rights (a)	24-01-07	24-01-12	Nil	3,250,000	\$0.20	–	1,250,000	–	2,000,000
Performance Rights (b)	24-01-07	24-01-12	Nil	3,250,000	\$0.30	–	1,250,000	–	2,000,000
Performance Rights (c)	20-11-07	20-11-12	Nil	3,125,000	\$0.20	–	3,125,000	–	–
Performance Rights (d)	20-11-07	20-11-12	Nil	3,125,000	\$0.30	–	3,125,000	–	–
Performance Rights (e)	21-08-08	21-08-13	Nil	–	\$0.75	7,000,000	–	–	7,000,000
Performance Rights (f)	21-08-08	21-08-13	Nil	–	\$1.00	7,000,000	–	–	7,000,000
TOTAL				12,750,000		14,000,000	8,750,000	–	18,000,000

The weighted average contractual life remaining at the end of the financial year was 2.6 years for (a) & (b)

The weighted average contractual life remaining at the end of the financial year was 3.5 years for (c) & (d)

The weighted average contractual life remaining at the end of the financial year was 4.1 years for (e) & (f)

- (a) Performance Rights may only be exercised if the fully paid shares of the Company trade at or above \$0.20 on ASX for five consecutive trading days on a volume weighted average price basis before 24 January 2012 (\$0.20 Performance Hurdle). The fair value at grant date using a Monte Carlo model was \$0.098
- (b) Performance Rights may only be exercised if the fully paid shares of the Company trade at or above \$0.30 on ASX for five consecutive trading days on a volume weighted average price basis before 24 January 2012 (\$0.30 Performance Hurdle). The fair value at grant date using a Monte Carlo model was \$0.092
- (c) Performance Rights may only be exercised if the fully paid shares of the Company trade at or above \$0.20 on ASX for five consecutive trading days on a volume weighted average price basis before 20 November 2012 (\$0.20 Performance Hurdle). The fair value at grant date using a Monte Carlo model was \$0.197
- (d) Performance Rights may only be exercised if the fully paid shares of the Company trade at or above \$0.30 on ASX for five consecutive trading days on a volume weighted average price basis before 20 November 2012 (\$0.30 Performance Hurdle). The fair value at grant date using a Monte Carlo model was \$0.191
- (e) Performance Rights may only be exercised if the fully paid shares of the Company trade at or above \$0.75 on ASX for five consecutive trading days on a volume weighted average price basis before 21 August 2013 (\$0.75 Performance Hurdle). The fair value at grant date using a Monte Carlo model was \$0.231
- (f) Performance Rights may only be exercised if the fully paid shares of the Company trade at or above \$1.00 on ASX for five consecutive trading days on a volume weighted average price basis before 21 August 2013 (\$1.00 Performance Hurdle). The fair value at grant date using a Monte Carlo model was \$0.234
- (g) On 24 July 2006, 6,000,000 A Class & 6,000,000 B Class Directors options were issued. The 6,000,000 A Class options are exercisable at \$0.10 per option within 3 years of the date of issue (24 July 2009). The 6,000,000 B Class options are exercisable at \$0.20 per option within 3 years of the date of issue (24 July 2009). The fair value at grant date using a Black Scholes model was \$0.026 (Class A) and \$0.004 (Class B).

Options and Performance Rights were priced using a Monte Carlo model or Black Scholes model. Where relevant, the expected life used in the model has been adjusted based on management's best estimate for the effects of non-transferability, exercise restrictions (including the probability of meeting market conditions attached to the option) and behavioural considerations. Expected volatility is based on the historical share price volatility adjusted for any expected changes in future volatility.

The weighted average of fair value of options/rights granted during the year was \$0.23.

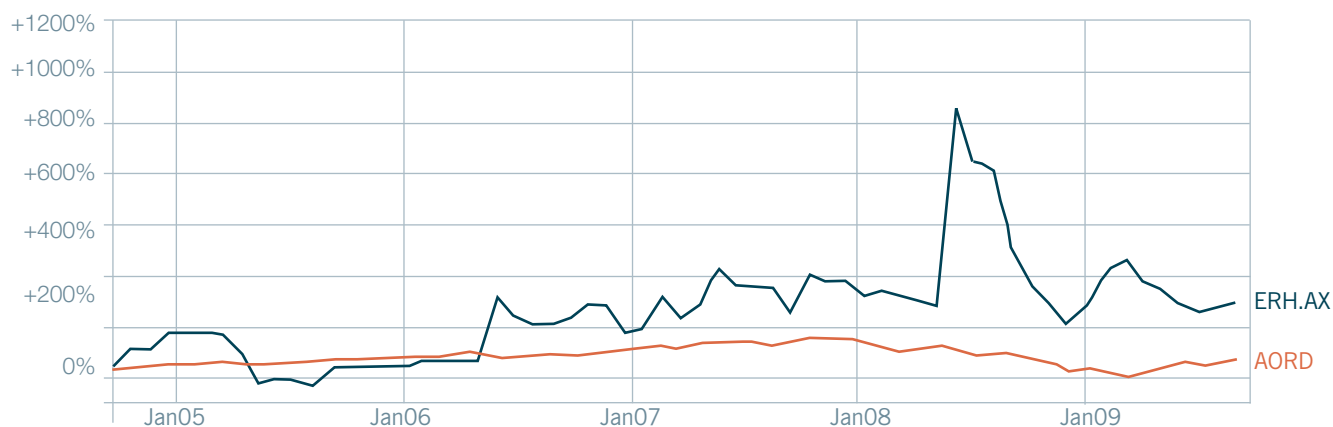
	Directors Options Class A	Directors Options Class B	Performance Rights A	Performance Rights B	Performance Rights C	Performance Rights D	Performance Rights E	Performance Rights F
Grant date share price	0.10	0.10	0.105	0.105	0.198	0.198	0.25	0.25
Exercise price	0.10	0.20	–	–	–	–	–	–
Expected volatility	27%	27%	88%	88%	101%	101%	120%	120%
Option life	3 year	3 year	5 year	5 year	5 year	5 year	5 year	5 year
Risk-free interest rate	5.95%	5.95%	5.97%	5.97%	6.28%	6.28%	5.65%	5.65%

Refer Note 15 for further information regarding directors and executives remuneration.



Group Performance

The graph below shows the performance of the Company and the comparison to the All Ordinaries for the past five years.



Compensation options: Granted and vested during the year

30 June 2009	Terms and Conditions for each Grant						Vested
	Granted No.	Grant Date	Fair value per option at grant date (\$)	Exercise price per option (\$)	Expiry date	Last exercise date	No.
M Goldhirsch	1,500,000	21-08-08	0.231	Nil	21-08-13	21-08-13	
	1,500,000	21-08-08	0.234	Nil	21-08-13	21-08-13	
P Galloway	3,000,000	21-08-08	0.231	Nil	21-08-13	21-08-13	
	3,000,000	21-08-08	0.234	Nil	21-08-13	21-08-13	
C Turner	1,500,000	21-08-08	0.231	Nil	21-08-13	21-08-13	
	1,500,000	21-08-08	0.234	Nil	21-08-13	21-08-13	
J Goldhirsch	500,000	21-08-08	0.231	Nil	21-08-13	21-08-13	
	500,000	21-08-08	0.234	Nil	21-08-13	21-08-13	
J Weston	500,000	21-08-08	0.231	Nil	21-08-13	21-08-13	
	500,000	21-08-08	0.234	Nil	21-08-13	21-08-13	
S Shnider	-	-	-	-	-	-	-
30 June 2008							
M Goldhirsch	-	-	-	-	-	-	-
P Galloway	-	-	-	-	-	-	-
C Turner	-	-	-	-	-	-	-
J Goldhirsch	-	-	-	-	-	-	-
J Weston	3,125,000	20-11-07	0.197	Nil	20-11-12	20-11-12	3,125,000
	3,125,000	20-11-07	0.191	Nil	20-11-12	20-11-12	2,940,401
S Shnider	-	-	-	-	-	-	-

There has been no change in terms and conditions of options/performance rights during the year.

Performance rights granted as part of remuneration

	Value of performance rights granted during the year \$	Value of performance rights exercised during the year \$	Value of performance rights lapsed during the year \$
M Goldhirsch	697,500	237,500	–
P Galloway	1,395,000	–	–
C Turner	697,500	–	–
J Goldhirsch	232,500	–	–
J Weston	232,500	1,212,500	–
S Shnider	–	–	–



Shares issued on exercise of compensation options

30 June 2009	Shares Issued No.	Paid per share \$	Unpaid per Share \$
M Goldhirsch	2,500,000	–	–
J Weston	6,250,000	–	–

One share was issued for each performance right exercised.

Auditors Independence Declaration

An independence declaration has been provided by the company's auditor Grant Thornton. The declaration is attached to, and forms part of the Financial Report for the year ended 30 June 2009.

Signed in accordance with a resolution of the directors.

Philip Galloway – Director
Melbourne, 30 September 2009



CORPORATE GOVERNANCE STATEMENT

The Company is committed to implementing the highest standards of corporate governance, in a manner which is practical and efficient given the Company's size and operations. Historically the Company's activities have been of relatively limited scale. The Company is relatively small in size, has a limited number of employees and has five executive Directors out of a total Board of six. The executive Directors are extensively involved in the Company's day to day operations and management.

The Company has adopted corporate governance policies in this context, and is pleased to advise that its practices are mostly consistent with the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations (2nd Edition)* which took effect from 1 July 2008. Where the Company's corporate governance practices do not correlate with the practices recommended by the Council, the Company has provided an explanation as to why it does not consider that the practices are appropriate for the Company.

To illustrate how the Company has addressed each of the Council's recommendations, the following table identifies each recommendation, clearly states whether the Company has adopted the recommendation and provides cross-references to the sections of this report addressing that recommendation. Where the Company has not adopted a recommendation, refer to the identified section of this report for the Company's reasons for not doing so. The table does not provide the full text of each recommendation, but rather a summary of the topic covered. Details of all of the recommendations can be found on the ASX Corporate Governance Council's website.

Recommendation	Recommendation adopted?	Section
Principle 1 – Lay solid foundations for management and oversight		
1.1 Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.	Yes	1.1
1.2 Companies should disclose the process for evaluating the performance of senior executives.	Yes	1.2
1.3 Companies should provide the information indicated in the Guide to reporting on Principle 1.	Yes	1.1, 1.2
Principle 2 – Structure the board to add value		
2.1 A majority of the board should be independent directors.	No	2.1
2.2 The chair should be an independent director.	No	2.2
2.3 The Roles of Chair and Chief Executive Officer should not be exercised by the same individual.	Yes	2.3
2.4 The board should establish a nomination committee.	No	2.4
2.5 Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.	Yes	1.2
2.6 Companies should provide the information indicated in the Guide to reporting on Principle 2.	Yes	2.1, 2.2, 2.3, 2.4, 1.2
Principle 3 – Promote ethical and responsible decision-making		
3.1 Companies should establish a code of conduct and disclose the code or a summary of the code as to: <ul style="list-style-type: none"> the practices necessary to maintain confidence in the company's integrity the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders the responsibility and accountability of individuals for reporting and investigating reports of unethical practices. 	No	3.1
3.2 Companies should establish a policy concerning trading in company securities by directors, senior executives and employees, and disclose the policy or a summary of that policy.	Yes	3.2
3.3 Companies should provide the information indicated in the Guide to reporting on Principle 3.	Yes	3.1, 3.2
Principle 4 – Safeguard integrity in financial reporting		
4.1 The board should establish an audit committee.	No	4.1
4.2 The audit committee should be structured so that it: <ul style="list-style-type: none"> consists only of non-executive directors consists of a majority of independent directors is chaired by an independent chair, who is not chair of the board has at least three members. 	No	4.1, 4.2
4.3 The audit committee should have a formal charter.	No	4.1, 4.3
4.4 Companies should provide the information indicated in the Guide to reporting on Principle 4.	Yes	4.1, 4.2, 4.3

Recommendation	Recommendation adopted?	Section
Principle 5 – Make timely and balanced disclosure		
5.1 Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	No	5.1
5.2 Companies should provide the information indicated in the Guide to reporting on Principle 5.	Yes	5.1
Principle 6 – Respect the rights of shareholders		
6.1 Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	Yes	6.1
6.2 Companies should provide the information indicated in the Guide to reporting on Principle 6.	Yes	6.1
Principle 7 – Recognise and manage risk		
7.1 Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	Yes	7.1
7.2 The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	Yes	7.1, 7.2
7.3 The board should disclose whether it has received assurances from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks	Yes	7.3
7.4 Companies should provide the information indicated in the Guide to reporting on Principle 7.	Yes	7.1, 7.2, 7.3
Principle 8 – Remunerate fairly and responsibly		
8.1 The board should establish a remuneration committee.	No	8.1
8.2 Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	Yes	8.2
8.3 Companies should provide the information indicated in the Guide to reporting on Principle 8.	Yes	8.1, 8.2

The Board of Directors ("the Board") of Eromanga Hydrocarbons NL ("the Company") supports the establishment and ongoing development of good corporate governance policies, that are compatible with the Company's size and which ensure an appropriate level of accountability to shareholders and other stakeholders. A description of the Company's main corporate governance practices is set out below.

Recommendation 1.1: Establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.

The Company's activities are currently not of a sufficient size, nor are its affairs of such complexity, to justify the employment of full-time management personnel. Accordingly, most of the functions of management are undertaken by consultants under the supervision of the Managing Director who is responsible for management activities under delegated authority of the Board. The functions specifically reserved for the full Board are as follows:

- > setting and monitoring of objectives, goals and strategic direction with a view to maximising shareholder value, consistent with ethical behaviour and acceptable risk parameters;
- > approving budgets and monitoring financial performance;
- > identifying significant business risks and ensuring that these are appropriately managed;
- > approval of any significant asset acquisitions or disposals;
- > selection and appointment of new Directors; and
- > appointment and removal of the Managing Director.

Recommendation 1.2: Disclose the process for evaluating the performance of senior executives.

The performance of all Directors, and senior executives is reviewed at least annually to promote appropriate representation of experience and expertise. The Board evaluates the performance of the Executive Chairman and any other senior executives having regard to such things as:

- > the responsibilities of the executive;
- > performance against budget;
- > any communicated key performance indicators; and
- > qualitative as well as quantitative measures.

No Director or senior executive is involved with his or her own evaluation, and the remainder of the Board evaluates such parties without such parties being present.

Recommendation 2.1: A majority of the Board should be independent Directors.

The Company does not consist of any non-executive independent Directors.

Due to the Company's size and limited scope of its operations, the Board considers that a majority of independent Directors is not currently warranted. As, and when, the Company's activities expand this policy will be reviewed. The Board recognises that Directors remain in office for the benefit of, and are accountable to, shareholders and that shareholders have the voting power to elect members to the Board regardless of their standing (independent or otherwise).

The effectiveness of the Board is achieved through the Directors' knowledge and experience specific to the business and the industry in which the Company operates. Any Director may seek their own independent advice at the Company's expense to assist them in the performance of their duties to the Company and the shareholders.

The names, qualifications and details of the experience of the Directors of the Company in office at the date of this Statement are set out in the Director's Report.

Recommendation 2.2: The Chairperson should be an independent director.

Mr Michael Goldhirsch, the Non-Executive Chairman, is not an independent Director. Whilst the Board recognises that it is desirable for the Chairman to be an independent director, the Company's current size dictate that this is the most efficient mode of operation at the current time. The Board will review the appointment of an independent Chairperson should the Company's size and growth warrant this.

Recommendation 2.3: The roles of chair and Chief Executive Officer should not be exercised by the same individual.

The roles of the Chairman (Mr Michael Goldhirsch) and the Managing Director (Mr Phillip Galloway) are separate.

Recommendation 2.4: The Board should establish a nomination committee.

The Board considers that the Company is not currently of a size to justify the formation of a nomination committee. The Board as a whole undertakes the process of reviewing the skill base and experience of existing Directors and the identification of attributes required in new Directors. The Board as a whole also reviews Board succession plans, appointment and re-election of Directors and the process for evaluation of the performance of the Board, its Members and senior Executives (as outlined under recommendation 1.2). Where appropriate independent consultants will be engaged to identify possible new candidates for the Board.

Should the Company's activities increase in size, scope and nature, the appointment of a nomination committee will be reviewed by the Board and implemented if appropriate.

Recommendation 2.5: Disclose the process for evaluating the performance of the board, its committees and individual directors.

See the comments under recommendation 1.2 above.

Recommendation 3.1: Establish a code of conduct and disclose the code or a summary of the code as to:

- > the practises necessary to maintain confidence in the Company's integrity;
- > the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders;

- > the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

The Company has not adopted a formal Corporate Code of Conduct however is committed to ethical and responsible decision making in respect of legal and no-legal obligations. The executive Directors of the Company are in regular consultation with one another which ensures that decisions are made jointly and in compliance with the Company's commitment to responsible and ethical decision making.

Recommendation 3.2: Establish a policy concerning trading in Company securities by Directors, senior executives and employees, and disclose the policy or a summary of that policy.

The Company has adopted a Trading Policy which can be accessed at www.erohydro.com

Recommendation 4.1: The Board should establish an audit committee.

The Board has not established an audit committee to assist to ensure the truthful and factual presentation of the Company's financial position as it believes that, given the size of the Board, no efficiencies are derived from a formal committee structure. Notwithstanding the non-existence of the audit committee, ultimate responsibility for the integrity of the Company's financial reporting rests with the full Board. All items that would normally be dealt with by an audit committee are dealt with at Board meetings. Such matters include:

- > establishment and review of internal control frameworks within the Company;
- > review of the financial statements, annual report and any other financial information distributed to shareholders or other external stakeholders;
- > review of audit reports and any correspondence from auditors, including comments on the Company's internal controls;
- > nomination of the external auditor and reviewing the adequacy of the scope and quality of the annual audit and half year review; and
- > monitoring compliance with the Corporations Act, ASX listing Rules and any other regulatory requirements.

Recommendation 4.2: The audit committee should be structured so that it:

- > consists only of non-executive Directors;
- > consists of a majority of independent Directors;
- > is chaired by an independent Chairperson, who is not Chairperson of the Board;
- > has at least three members

See comments under recommendation 4.1 above.

Recommendation 4.3: The audit committee should have a formal charter.

See comments under recommendation 4.1 above.

Recommendation 5.1: Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.

The Board is committed to the promotion of investor confidence by providing full and timely information to all shareholders in accordance with the disclosure requirements contained in the ASX Listing Rules and the Corporations Act.

The Company has adopted a continuous disclosure policy that requires all Directors, officers and executives to inform the Chairman (or in his absence the Company Secretary) of any potentially material information as soon as practicable after they become aware of that information.

The Company does not currently have a formal written policy in place, but instead relies on the extensive experience of the Board and senior management to ensure ongoing compliance

In accordance with the ASX Listing Rules, the Company secretary is appointed as the Company's disclosure officer.

Recommendation 6.1: Design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose that policy or a summary of that policy.

The Company has a policy for effective communication with shareholders.

Recommendation 7.1: Establish policies for the oversight and management of material business risk and disclose a summary of those policies.

The Company has established a policy for the oversight and management of material business risks by the Board.

Recommendation 7.2: The Board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.

Management have not formally reported to the Board as to the effectiveness of the company's management of its material business risks. The management of all business risks are the responsibility of the Board, and the Board believes the risk management and internal control systems designed and implemented by the Directors and the Chief Financial Officer are adequate given the size and nature of the Company's activities. The Board requests management to report informally on the risk management and internal control systems. Management also informally report to the Board regarding any additional risks that may have been identified, as well as reporting on matters that may have arisen from the Company's internal control procedures. The effectiveness of the Company's internal control systems are reviewed by the Board at least annually.

Recommendation 7.3: The Board should disclose whether it has received assurance from the Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

The Board receives such assurances prior to the release of the Company's full year and half year accounts.

Recommendation 8.1: The Board should establish a remuneration committee.

Details of individual Director and executive remuneration are contained in the Remuneration Report (which forms part of the Director's Report) and the Company's Financial Report, which form part of the Annual Report made available to shareholders.

The Company does not have a separately constituted remuneration committee. The Company is not of sufficient size to warrant the existence of a separate remuneration committee. All matters that could be delegated to such a committee are dealt with by the full Board.

The Company seeks to remunerate Directors and executives in accordance with the principles recommended by the ASX. Ordinarily, a non-executive Director receives a fixed fee for their services, and does not receive performance based remuneration. The Company is committed to remunerating executives in a manner that is market-competitive, reflects duties and support the interests of shareholders.

Recommendation 8.2: Companies should clearly distinguish the structure of Non-Executive Directors' remuneration from that of Executive Directors.

The structure of Executive and Non-Executive Directors' remuneration is detailed in the remuneration report, which forms part of the Directors' report in the annual report which is available at the Company's website – www.erohydro.com.

Directors' Declaration

In the opinion of the directors of Eromanga Hydrocarbons NL:

- (a) the financial statements and notes of the company and consolidated entity, set out on pages 23-52 are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position of the Company and consolidated entity as at 30 June 2009 and of their performance, as represented by the results of their operations and their cash flows, for the year ended on that date; and
 - (ii) complying with the Accounting Standards in Australia and the Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as when they become due and payable.

Signed in accordance with a resolution of the directors.

On behalf of the directors



Philip Galloway – Director
Melbourne, 30 September 2009



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**Auditor's Independence Declaration
To the Directors of Eromanga Hydrocarbons NL**

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Eromanga Hydrocarbons NL for the year ended 30 June 2009, I declare that, to the best of my knowledge and belief, there have been:

- a. No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- b. No contraventions of any applicable code of professional conduct in relation to the audit.


GRANT THORNTON
Chartered Accountants


Michael Cunningham
Partner

Melbourne, 30 September 2009



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Independent Auditor's Report To the Members of Eromanga Hydrocarbons NL

Report on the Financial Report

We have audited the accompanying financial report of Eromanga Hydrocarbons NL (the company) which comprises the balance sheet as at 30 June 2009, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the

financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Independence

In conducting our audit, we complied with applicable independence requirements of the Corporations Act 2001.

Auditor's opinion

In our opinion:


- a the financial report of Eromanga Hydrocarbons NL is in accordance with the Corporations Act 2001, including:
 - i giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2009 and of their performance for the year ended on that date; and
 - ii complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- b the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included on pages 9 to 13 of the directors' report for the year ended 30 June 2009. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion the Remuneration Report of Eromanga Hydrocarbons NL for the year ended 30 June 2009, complies with section 300A of the Corporations Act 2001.


GRANT THORNTON
Chartered Accountants


Michael Cunningham

INCOME STATEMENTS

	NOTE	CONSOLIDATED		PARENT	
		2009 \$	2008 \$	2009 \$	2008 \$
Oil sales		59,315	-	-	-
Other Income	2	447,940	396,854	447,940	396,854
Total revenue		507,255	396,854	447,940	396,854
Exploration costs	3	(4,201,827)	(1,284,012)	(15,646)	(121,497)
Occupancy costs		(41,267)	(30,416)	(41,267)	(30,416)
Director's fees		(50,000)	(46,633)	(50,000)	(46,633)
Employee expenses	3	(2,937,418)	(2,376,561)	(2,937,418)	(2,376,561)
Audit fees		(112,677)	(32,879)	(112,677)	(32,879)
Accounting expense		(35,655)	(22,966)	(35,655)	(17,400)
Office expenses		(45,552)	(6,659)	(34,050)	(6,659)
Share registry expenses		(28,350)	(39,864)	(28,350)	(39,864)
ASX expenses		(59,726)	(65,847)	(59,726)	(65,847)
Consultancy expense		(891,218)	(57,627)	-	(57,627)
Travel expenses		(169,656)	(129,937)	(169,656)	(129,937)
Legal expenses		(282,687)	(132,788)	(282,687)	(126,734)
Regulatory expenses		(19,677)	(26,341)	-	-
Impairment expense		(409,091)	(579,998)	(409,091)	(1,321,537)
Foreign exchange gain\loss)		(490,737)	-	-	-
Other expenses		(77,955)	(29,685)	(77,955)	(31,873)
Loss before income tax	3	(9,346,238)	(4,465,359)	(3,806,238)	(4,008,610)
Income tax expense	4	-	-	-	-
Loss after tax for the year		(9,346,238)	(4,465,359)	(3,806,238)	(4,008,610)
Earnings per share (cents per share)					
- Basic\Diluted for profit for the year		(5.97)c	(3.33)c	(2.43)c	(2.99)c

The above income statements should be read in conjunction with the accompanying notes.

BALANCE SHEETS

	NOTE	CONSOLIDATED		PARENT	
		2009 \$	2008 \$	2009 \$	2008 \$
CURRENT ASSETS					
Cash and cash equivalents	24(a)	4,644,301	12,237,695	4,455,671	12,212,366
Receivables	5	646	40,909	13,392,586	5,695,031
TOTAL CURRENT ASSETS		4,644,947	12,278,604	17,848,257	17,907,397
NON CURRENT ASSETS					
Receivables	5	–	–	51,267	51,267
Other Financial Assets	6	82,257	610,670	584,075	993,166
Intangibles	7	–	–	–	–
Deferred Exploration Expenditure	8	8,376,354	7,033,379	–	–
TOTAL NON CURRENT ASSETS		8,458,611	7,644,049	635,342	1,044,433
TOTAL ASSETS		13,103,558	19,922,653	18,483,599	18,951,830
CURRENT LIABILITIES					
Trade and other payables	9	203,481	1,390,467	203,218	47,242
TOTAL CURRENT LIABILITIES		203,481	1,390,467	203,218	47,242
NON CURRENT LIABILITIES					
Payables	9	500	500	14,492	14,492
TOTAL NON CURRENT LIABILITIES		500	500	14,492	14,492
TOTAL LIABILITIES		203,981	1,390,967	217,710	61,734
NET ASSETS		12,899,577	18,531,686	18,265,889	18,890,096
EQUITY					
Issued Capital	10	49,733,124	47,314,598	49,733,124	47,314,598
Reserves	11	6,400,119	5,104,516	5,729,410	4,965,905
Accumulated losses	12	(43,233,666)	(33,887,428)	(37,196,645)	(33,390,407)
TOTAL EQUITY		12,899,577	18,531,686	18,265,889	18,890,096

The above balance sheets should be read in conjunction with the accompanying notes.

STATEMENTS OF RECOGNISED INCOME AND EXPENSES

	NOTE	CONSOLIDATED		PARENT	
		2009 \$	2008 \$	2009 \$	2008 \$
Change in fair value of equity securities available for sale	11(b)	(119,320)	19,880	-	-
Exchange differences on translation of foreign operations	11(d)	651,418	(61,625)	-	-
Net income recognised directly in equity		532,098	(41,745)	-	-
Loss for the period	12	(9,346,238)	(4,465,359)	(3,806,238)	(4,008,610)
Total recognised income and expense for the period		(8,814,140)	(4,507,104)	(3,806,238)	(4,008,610)

The above statements of recognised income and expenses should be read in conjunction with the accompanying notes

CASH FLOW STATEMENTS

	NOTE	CONSOLIDATED		PARENT	
		2009 \$	2008 \$	2009 \$	2008 \$
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		59,315	–	–	–
Payments to suppliers and employees		(3,539,373)	(1,107,857)	(1,434,697)	(1,252,831)
Interest received		447,294	388,167	447,294	388,167
NET CASH FLOWS USED IN OPERATING ACTIVITIES	24 (b)	(3,032,764)	(719,690)	(987,403)	(864,364)
CASH FLOWS FROM INVESTING ACTIVITIES					
Payments for deferred exploration costs		(5,529,155)	(7,091,114)	–	–
Return of cash deposits held in trust		164,637	–	164,637	–
NET CASH FLOWS PROVIDED BY(USED IN) INVESTING ACTIVITIES		(5,364,518)	(7,091,114)	164,637	–
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issue of shares (net of share issue costs)		968,525	18,880,751	968,525	18,880,751
Advances of related party borrowings		–	–	(7,737,817)	(6,971,769)
NET CASH FLOWS PROVIDED BY(USED IN) FINANCING ACTIVITIES		968,525	18,880,751	(6,769,292)	11,908,982
NET INCREASE(DECREASE) IN CASH AND CASH EQUIVALENTS HELD		(7,428,757)	11,069,947	(7,592,058)	11,044,618
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		12,073,058	1,003,111	12,047,729	1,003,111
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	24 (a)	4,644,301	12,073,058	4,455,671	12,047,729

The above cash flow statements should be read in conjunction with the accompanying notes

NOTES TO THE FINANCIAL STATEMENTS

1 Summary of significant accounting policies

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

The financial report covers the economic entity of Eromanga Hydrocarbons NL and controlled entities, and Eromanga Hydrocarbons NL as an individual parent entity. Eromanga Hydrocarbons NL is a listed public company, incorporated and domiciled in Australia.

The financial report of Eromanga Hydrocarbons NL was authorized for issue by the directors on 30 September 2009.

The financial report of Eromanga Hydrocarbons NL and controlled entities, and Eromanga Hydrocarbons NL as an individual parent entity comply with all Australian Accounting Standards which ensures the consolidated financial statements comply with IFRS.

The following is a summary of the material accounting policies adopted by the economic entity in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

Reporting Basis and Conventions

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

Early Adoptions of Standards

The company has elected to early adopt all Australian Accounting Standards and other authoritative pronouncement of the Australian Accounting Standards Board with an application date of later than 30 June 2009 with the exception of AASB 101: Presentation of Financial Statements and AASB 8: Operating Segments.

Critical Accounting Estimates & Judgements

The preparation of a financial report in conformity with Australian Accounting Standards requires management to make estimates, judgements and assumptions

based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data obtained both externally and within the Company. Actual results may differ from the estimates.

Accounting policies

(a) Basis of consolidation

The consolidated financial statements comprise the financial statements of Eromanga Hydrocarbons NL and its subsidiaries ('the Group').

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

Where there is loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting period during which Eromanga Hydrocarbons NL has control.

(b) Investments

All investments are initially recognised at cost, being the fair value of the consideration given and including acquisition charges associated with the investment.

After initial recognition, investments, which are classified available-for-sale, are measured at fair value.

Gains or losses on available-for-sale investments are recognised as a separate component of equity until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement.

For investments that are actively traded in organised financial markets, fair value is determined by reference to Stock Exchange quoted market bid prices at the close of business on the balance sheet date.

For investments where there is no quoted market price, fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net asset base of the investment.

At each reporting date, the Group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognized in the income statement.

(c) Trade and other receivables

Trade receivables, which generally are 30-90 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

(d) Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(e) Leases

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as the lease income.

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

Notes to the Financial Statements

(f) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Interest

Revenue is recognised as the interest accrues (using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

(g) Income tax

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences:

- except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised:

- except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the income statement.

(h) GST

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(i) Share-based payment transaction

Equity settled transaction:

The Group provides benefits to its employees (including key management personnel) in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity at the date at which they are granted. The fair value is determined using a Black-Scholes option pricing model or Monte Carlo pricing model.

In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of Eromanga Hydrocarbons NL (market conditions) if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled (the vesting period), ending on the date on which the relevant employees become fully entitled to the award (the vesting date).

At each subsequent reporting date until vesting, the cumulative charge to the income statement is the product of (i) the grant date fair value of the award; (ii) the current best estimate of the number of awards that will vest, taking into account such factors as the likelihood of employee turnover during the vesting period and the likelihood of non-market performance conditions being met; and (iii) the expired portion of the vesting period.

The charge to the income statement for the period is the cumulative amount as calculated above less the amounts already charged in previous periods. There is a corresponding credit to equity.

Until an award has vested, any amounts recorded are contingent and will be adjusted if more or fewer awards vest than were originally anticipated to do so. Any award subject to a market condition is considered to vest irrespective of whether or not that market condition is fulfilled, provided that all other conditions are satisfied.

Notes to the Financial Statements

(j) Exploration and Development Expenditure

Exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are expensed in the income statement as they are incurred, unless the area of interest reaches a stage where a reasonable estimate of economically recoverable reserves can be made and successful development of the area is expected.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

(k) Interest in a jointly controlled operation

The Group has an interest in a joint venture that is a jointly controlled operation. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. A jointly controlled operation involves use of assets and other resources of the venturers rather than establishment of a separate entity. The Group recognizes its interest in the jointly controlled operation by recognizing its interest in the assets it controls and the liabilities it incurs. The Group also recognizes the expenses that it incurs and its share of the income that it earns from the sale of goods or services by the jointly controlled operation.

(l) Foreign Currency Translation – Group Companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of equity.

(m) Business Combinations

The purchase method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the fair value of the instruments is their published market price as at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the Group's share of the fair value of the identifiable net assets if the subsidiary acquired, the difference is recognized directly in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

(n) Intangible Assets – Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(o) Earning's per share

(i) Basis earning's per share:

Basis earning's per share is determined by dividing the operating loss after income tax by the weighted average number of ordinary shares outstanding during the financial year.

(ii) Diluted earning's per share:

Diluted earning's per share adjusts the figures used in determining earning's per share by taking into an account amounts unpaid on ordinary shares and any reduction in earning's per share that will probably arise from the exercise of options outstanding during the financial year.

(p) Comparatives

Where necessary, comparatives have been reclassified and repositioned for consistency with current year disclosures.

(q) Going Concern

The financial report has been prepared on a going concern basis. This contemplates continuity of normal business activities and the realization of assets and settlement of liabilities in the ordinary course of business even though the Company has experienced operating losses of \$9,346,238 during the financial year ending 30 June 2009 (2008: \$4,465,359).

The Directors believe that the following factors support the going concern assumption:

- Cash reserves at 30 June 2009 of \$4,644,301
- Exercise of options by 24 July 2009 in excess of \$3 million
- Access to a \$10 million equity placement facility with Fortrend Securities Pty Ltd
- Control over discretionary exploration expenditure.

Notes to the Financial Statements

	NOTE	CONSOLIDATED		PARENT	
		2009 \$	2008 \$	2009 \$	2008 \$
2. REVENUE					
Revenue from operating activities:					
Interest Revenue		447,940	396,854	447,940	396,854
Oil Sales		59,315	–	–	–
Total revenue		507,255	396,854	447,940	396,854

3. LOSS BEFORE INCOME TAX EXPENSE

Operating (loss) before income tax is arrived at after:					
(a) Charging the following items:					
Employment Costs		723,913	500,262	723,913	500,262
Share Based payments		2,213,505	1,876,299	2,213,505	1,876,299
		2,937,418	2,376,561	2,937,418	2,376,561
Exploration costs		15,646	121,497	15,646	121,497
Exploration costs written off		4,186,181	1,162,515	–	–

4. INCOME TAX

(a) Expense

The components of tax expense comprise:

Income Statement					
Current tax		(2,200,632)	(398,783)	(477,820)	(261,788)
Deferred tax		122,727	(377,936)	122,727	(377,936)
Tax losses not recognised as an asset		2,077,905	776,719	355,093	639,694
Income tax expense reported in the income statement		–	–	–	–

(b) The prima facie tax on loss before income tax is reconciled to the income tax as follows:

Prima facie tax payable on loss before income tax at 30% (2008: 30%) (Brazilian tax 34%)		(2,967,761)	(1,166,263)	(1,141,871)	(1,202,583)
Adjustments to income tax expense due to:					
Sundry		767,130	166,982	664,052	562,889
Tax losses and temporary differences not recognised as an asset		2,200,631	999,281	447,819	639,694
Income tax expense on pre-tax net profit		–	–	–	–

(c) Unrecognised deferred tax assets

The entity has estimated carry forward tax losses after adjusting for non deductible and temporary differences of \$7,206,398 (2008: \$6,077,586) that are available indefinitely for offset against future taxable profits, with estimated capital losses of \$1,418,192 (2008: \$1,418,192). These tax losses and any temporary differences have not been brought to account as it is not probable that taxable profit will be available to utilise these losses.

The estimated deferred income tax benefits not brought to account in respect of carried forward losses is \$2,161,919 (2008: \$1,823,275) and in respect of carry forward capital losses is \$425,458 (2008: \$425,458).

Notes to the Financial Statements

	NOTE	CONSOLIDATED		PARENT	
		2009 \$	2008 \$	2009 \$	2008 \$
5. RECEIVABLES					
(a) CURRENT					
Goods and Service Tax		–	40,909	–	40,909
Amount due from other related party		–	–	–	–
Interest Receivable	646	–	–	646	–
Amount due from subsidiary		–	–	14,713,477	6,975,659
Less Provision for Impairment		–	–	(1,321,537)	(1,321,537)
Sundry Debtors		13,499	13,499	13,499	13,499
Less Provision for Impairment		(13,499)	(13,499)	(13,499)	(13,499)
		646	40,909	13,392,586	5,695,031

Receivables are non-interest bearing and are generally on 30 day terms. Provision for impairment is recognised where there is objective evidence that the individual receivable is impaired. No collateral is held against these balances.

Movement in the provision for impairment is as follows:

Opening Balance	13,499	13,499	1,335,036	13,499
Annual Expense	–	–	–	1,321,537
Closing Balance	13,499	13,499	1,335,036	1,335,036

At 30 June 2009, the ageing analysis of receivables is as follows:

	Total	90-120 days (not impaired)	90-120 days (considered impaired)	120+ days (considered impaired)
2009 Consolidated	14,145	646	–	13,499
2009 Parent	14,727,622	13,392,586	1,321,537	13,499
2008 Consolidated	54,408	40,909	–	13,499
2008 Parent	7,030,067	5,695,031	1,321,537	13,499

Past due and not impaired is expected to be recovered through successful development of exploration areas in Brazil.

(b) NON CURRENT

Loan – Subsidiary				51,267	51,267
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6. OTHER FINANCIAL ASSETS

NON CURRENT

Available for sale financial assets

Shares at fair value – other entities	(a)	2,705	2,705	2,705	2,705
Shares in other related parties at fair value	23	79,550	198,872	–	–
Share in subsidiaries at cost		–	–	581,370	581,370
Acquired interest in joint venture operation	(b)	409,091	409,091	409,091	409,091
Less provision for impairment		(409,091)	–	(409,091)	–
Investments in other corporation		2	2	–	–
		82,257	610,670	584,075	993,166

Capital gains tax has not been taken into account in determining the revalued amount

(a) Relates to a minority interest in listed companies.

(b) Relates to an acquired interest in the Edward Creek Base Metals Joint Venture (ECBMJV). Eromanga purchased a 21% contributing interest in the Edward Creek Base Metal Joint Venture (ECBMJV) for a consideration of \$450,000 (inc GST). The consideration was satisfied by the issue of nine million fully paid ordinary shares and nine million options. The ECBMJV relates to an interest in exploration licence EL 3250 that covers an area of approximately 440 sq km in the Gawler Craton in South Australia. This interest has been fully impaired as at 30 June 2009.

Notes to the Financial Statements

	NOTE	CONSOLIDATED		PARENT	
		2009 \$	2008 \$	2009 \$	2008 \$

7. INTANGIBLE ASSETS

Goodwill		-	-	-	-
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On 29 August 2007 the Company acquired all of the issued shares in Mercury Brazil Ltd and controlled entity for consideration of \$580,000 comprising of 2,000,000 ordinary shares and 2,000,000 consideration options. The valuation of the purchase was determined by an independent expert.

The acquired business contributed revenues of \$NIL and a net loss of \$1,198,288 to the Group for the period from 29 August 2007 to 30 June 2008. If the acquisition had occurred on 1 July 2007, consolidated revenue and profit for the year would not have changed.

Details of net assets acquired and goodwill are as follows:

Purchase Consideration

Fair value of ordinary shares issued	-	360,000	-	-
Fair value of consideration options issued	-	220,000	-	-
Total purchase consideration	-	580,000	-	-
Fair value of net identifiable assets acquired	-	2	-	-
Goodwill at acquisition		579,998		
Impairment of goodwill	-	(579,998)	-	-
Net carrying value	-	-	-	-

The goodwill is attributable to Mercury's position and partnerships in oil and gas exploration in Brazil.

Impairment loss recognised

An impairment loss on the consolidated goodwill was recognised in 2008 as the Brazilian operations value in use calculations using cash flow projections were not considered for accounting purposes to support the carrying value of goodwill.

8. DEFERRED EXPLORATION AND EVALUATION EXPENDITURE

Cost	8,376,354	7,033,379	-	-
Accumulated Impairment	-	-	-	-
Net carrying amount	8,376,354	7,033,379	-	-

The recoverability of the carrying amount of deferred exploration and evaluation expenditure is dependent on the successful development and commercial exploitation, or alternatively the sale, of the respective areas of interest.

9. ACCOUNTS PAYABLE

(a) Current

Trade creditors & accruals	203,481	48,013	203,218	47,242
Accrued exploration expenditure	-	1,342,454	-	-
	203,481	1,390,467	203,218	47,242

Trade creditors are non-interest bearing and are normally settled on 30 day terms

(b) Non – Current

Amounts due to subsidiaries	-	-	13,992	13,992
Amount due to other related entity	500	500	500	500
	500	500	14,492	14,492

Notes to the Financial Statements

	NOTE	CONSOLIDATED		PARENT	
		2009 \$	2008 \$	2009 \$	2008 \$
10. SHARE CAPITAL					
Issued and Paid up capital					
148,893,103 Ordinary shares fully paid		25,264,733	25,264,733	25,264,733	25,264,733
17,084,888 Ordinary shares fully paid	(a)	2,418,526	–	2,418,526	–
109,914,313 ordinary shares of 50 cents paid to 16c	(b)	17,586,290	17,586,290	17,586,290	17,586,290
Forfeited partly paid shares	(c)	5,236,068	5,236,068	5,236,068	5,236,068
Share issue costs		(772,493)	(772,493)	(772,493)	(772,493)
		49,733,124	47,314,598	49,733,124	47,314,598

At shareholder meetings, each ordinary share is entitled to one vote per ordinary share. Ordinary shares participate in dividends in proportion to the number of shares held.

- (a) On 11 July 2008, a placement of 2,061,699 Ordinary shares fully paid were issued to shareholders upon exercise of 1,250,000 options for a consideration of \$0.10 per ordinary share and 811,699 piggy-back options for a consideration of \$0.20 per ordinary share. On 27 July 2008, a placement of 625,000 Ordinary shares fully paid were issued to shareholders upon exercise of 312,500 options for a consideration of \$0.10 per ordinary share and 312,500 piggy-back options for a consideration of \$0.20 per ordinary share. On 4 August 2008, a placement of 1,188,301 Ordinary shares fully paid were issued to shareholders upon exercise of 1,188,301 options for a consideration of \$0.10 per ordinary share. On 15 August 2008, a placement of 6,250,000 Ordinary shares fully paid were issued to directors upon exercise of performance rights under the performance rights plan. On 1 September 2008, a placement of 2,500,000 Ordinary shares fully paid were issued to directors upon exercise of performance rights under the performance rights plan. On 25 February 2009, a placement of 486,194 Ordinary shares fully paid were issued to shareholders upon exercise of 486,194 options for a consideration of \$0.10 per ordinary share. On 3 April 2009, a placement of 4,027 Ordinary shares fully paid were issued to shareholders upon exercise of 3,102 options for a consideration of \$0.10 per ordinary share and 925 piggy-back options for a consideration of \$0.20 per ordinary share. On 12 May 2009, a placement of 40,000 Ordinary shares fully paid were issued to shareholders upon exercise of 40,000 options for a consideration of \$0.10 per ordinary share. On 25 May 2009, a placement of 150,000 Ordinary shares fully paid were issued to shareholders upon exercise of 150,000 options for a consideration of \$0.10 per ordinary share. On 2 June 2009, a placement of 551,284 Ordinary shares fully paid were issued to shareholders upon exercise of 551,284 options for a consideration of \$0.10 per ordinary share. On 15 June 2009, a placement of 198,447 Ordinary shares fully paid were issued to shareholders upon exercise of 198,447 options for a consideration of \$0.10 per ordinary share. On 24 June 2009, a placement of 2,507,500 Ordinary shares fully paid were issued to shareholders upon exercise of 2,507,500 options for a consideration of \$0.10 per ordinary share. On 26 June 2009, a placement of 289,589 Ordinary shares fully paid were issued to shareholders upon exercise of 289,589 options for a consideration of \$0.10 per ordinary share. On 29 June 2009, a placement of 232,847 Ordinary shares fully paid were issued to shareholders upon exercise of 232,847 options for a consideration of \$0.10 per ordinary share.
- (b) The company has partly paid shares on issue. The shares were issued in prior periods with a par value of \$0.50 and have been paid to \$0.16
- (c) In 2005, the directors reviewed the nature of the Forfeited Share Reserve and determined that the reserve represented share capital by nature rather than a reserve. As a result the Forfeited Share Reserve has been transferred from reserves to share capital. This amendment does not have any impact on the Income Statement or the net asset position of the company and consolidated entity.

Capital Management

When managing capital, management's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management also aims to maintain a capital structure that ensures the lowest cost of capital available to the entity.

As the market and working capital needs of the company are constantly changing, management may change the amount of dividends to be paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

In April 2009 the Company established a \$10 million equity placement facility with Fortrend Securities Pty Ltd. Eromanga can place securities with Fortrend at any time during the three year period ended April 2012.

At 30 June 2009, the Company has no borrowings.

Notes to the Financial Statements

	NOTE	CONSOLIDATED		PARENT	
		2009 \$	2008 \$	2009 \$	2008 \$
11. RESERVES					
Capital profits	(a)	2,887,131	2,887,131	2,835,500	2,835,500
Asset Revaluation Reserve	(b)	29,285	148,605	–	–
Equity Benefits Reserve (share based payment)	(c)	2,893,910	2,130,405	2,893,910	2,130,405
Foreign Currency Translation Reserve	(d)	589,793	(61,625)	–	–
		6,400,119	5,104,516	5,729,410	4,965,905

Movement during the year:

(a) Capital Profits

The capital profit reserve is used to accumulate realised capital profits. It can be used to pay dividends at a later date.

(b) Asset revaluation reserve

The asset revaluation reserve recognises the changes in fair value of available for sale financial assets.

Balance at the beginning of the year		148,605	128,725	–	–
Revaluation increment\decrement on listed shares	6	(119,320)	19,880	–	–
Balance at the end of the year		29,285	148,605	–	–

(c) Equity Benefits Reserve

The equity benefits reserve recognises the fair value of equity settled share based payments.

Balance at the beginning of the year		2,130,405	556,606	2,130,405	556,606
Share based payment – acquisition of subsidiary		–	220,000	–	220,000
Share based payment expense – employee		2,213,505	1,876,299	2,213,505	1,876,299
Exercise of Performance Rights		(1,450,000)	(522,500)	(1,450,000)	(522,500)
Balance at the end of the year		2,893,910	2,130,405	2,893,910	2,130,405

(d) Foreign Currency Translation Reserve

The foreign currency translation reserve recognises the changes in value of foreign currency transactions on translation of subsidiaries.

Balance at the beginning of the year		(61,625)	–	–	–
Foreign Currency Exchange Revaluation		651,418	(61,625)	–	–
Balance at the end of the year		589,793	(61,625)	–	–

Notes to the Financial Statements

Share Based Payments

The granting of Directors Options was approved by shareholders at the General Meeting of the Company on 18th July 2006. The granting of Directors Options is to provide long-term incentives for directors to deliver long-term shareholder returns. The options have been granted for no consideration. Directors options granted carry no dividend or voting rights. When exercisable, each option is convertible into one ordinary share.

The establishment of the Eromanga Performance Rights Plan was approved by shareholders at the Annual General Meeting on 30th November 2006. The Performance Rights Plan has been designed to provide long-term incentives for employees and directors to deliver long-term shareholder returns. Under the plan, participants are granted performance rights which only vest if certain performance standards are met. Participation in the plan is at the Board's discretion and no individual has a contractual right to participate in the plan to receive any guaranteed benefits. The holder of the performance rights is entitled to be issued for nil consideration one fully paid share in the Company for each performance right exercised.

Plan Type	Grant Date	Expiry Date	Exercise Price	Balance at start of the year	Performance Hurdle	Granted during the year	Exercised during the year	Forfeited during the year	Exercisable Balance at end of the year
Consolidated and parent entity – 2009									
Directors Options Class A (g)	24-07-06	24-07-09	\$0.10	6,000,000	–	–	–	–	6,000,000
Directors Options Class B (g)	24-07-06	24-07-09	\$0.20	6,000,000	–	–	–	–	6,000,000
TOTAL				12,000,000					12,000,000

The weighted average contractual life remaining at the end of the financial year was .06 years.

Performance Rights (a)	24-01-07	24-01-12	Nil	3,250,000	\$0.20	–	1,250,000	–	2,000,000
Performance Rights (b)	24-01-07	24-01-12	Nil	3,250,000	\$0.30	–	1,250,000	–	2,000,000
Performance Rights (c)	20-11-07	20-11-12	Nil	3,125,000	\$0.20	–	3,125,000	–	–
Performance Rights (d)	20-11-07	20-11-12	Nil	3,125,000	\$0.30	–	3,125,000	–	–
Performance Rights (e)	21-08-08	21-08-13	Nil	–	\$0.75	7,000,000	–	–	7,000,000
Performance Rights (f)	21-08-08	21-08-13	Nil	–	\$1.00	7,000,000	–	–	7,000,000
TOTAL				12,750,000		14,000,000	8,750,000	–	18,000,000

The weighted average contractual life remaining at the end of the financial year was 2.6 years for (a) & (b)

The weighted average contractual life remaining at the end of the financial year was 3.5 years for (c) & (d)

The weighted average contractual life remaining at the end of the financial year was 4.1 years for (e) & (f)

The share price as at 30 June 2009 was \$0.12.

Notes to the Financial Statements

- (a) Performance Rights may only be exercised if the fully paid shares of the Company trade at or above \$0.20 on ASX for five consecutive trading days on a volume weighted average price basis before 24 January 2012 (\$0.20 Performance Hurdle). The fair value at grant date using a Monte Carlo model was \$0.098
- (b) Performance Rights may only be exercised if the fully paid shares of the Company trade at or above \$0.30 on ASX for five consecutive trading days on a volume weighted average price basis before 24 January 2012 (\$0.30 Performance Hurdle). The fair value at grant date using a Monte Carlo model was \$0.092
- (c) Performance Rights may only be exercised if the fully paid shares of the Company trade at or above \$0.20 on ASX for five consecutive trading days on a volume weighted average price basis before 20 November 2012 (\$0.20 Performance Hurdle). The fair value at grant date using a Monte Carlo model was \$0.197
- (d) Performance Rights may only be exercised if the fully paid shares of the Company trade at or above \$0.30 on ASX for five consecutive trading days on a volume weighted average price basis before 20 November 2012 (\$0.30 Performance Hurdle). The fair value at grant date using a Monte Carlo model was \$0.191
- (e) Performance Rights may only be exercised if the fully paid shares of the Company trade at or above \$0.75 on ASX for five consecutive trading days on a volume weighted average price basis before 21 August 2013 (\$0.75 Performance Hurdle). The fair value at grant date using a Monte Carlo model was \$0.231
- (f) Performance Rights may only be exercised if the fully paid shares of the Company trade at or above \$1.00 on ASX for five consecutive trading days on a volume weighted average price basis before 21 August 2013 (\$1.00 Performance Hurdle). The fair value at grant date using a Monte Carlo model was \$0.234
- (g) On 24 July 2006, 6,000,000 A Class & 6,000,000 B Class Directors options were issued. The 6,000,000 A Class options are exercisable at \$0.10 per option within 3 years of the date of issue (24 July 2009). The 6,000,000 B Class options are exercisable at \$0.20 per option within 3 years of the date of issue (24 July 2009). The fair value at grant date using a Black Scholes model was \$0.026 (Class A) and \$0.004 (Class B).

Options and Performance Rights were priced using a Monte Carlo model or Black Scholes model. Where relevant, the expected life used in the model has been adjusted based on management's best estimate for the effects of non-transferability, exercise restrictions (including the probability of meeting market conditions attached to the option) and behavioural considerations. Expected volatility is based on the historical share price volatility adjusted for any expected changes in future volatility.

	Directors Options Class A	Directors Options Class B	Performance Rights A	Performance Rights B	Performance Rights C	Performance Rights D	Performance Rights E	Performance Rights F
Grant date share price	0.10	0.10	0.105	0.105	0.198	0.198	0.25	0.25
Exercise price	0.10	0.20	–	–	–	–	–	–
Expected volatility	27%	27%	88%	88%	101%	101%	120%	120%
Option life	3 year	3 year	5 year	5 year	5 year	5 year	5 year	5 year
Risk-free interest rate	5.95%	5.95%	5.97%	5.97%	6.28%	6.28%	5.65%	5.65%

Notes to the Financial Statements

	NOTE	CONSOLIDATED		PARENT	
		2009 \$	2008 \$	2009 \$	2008 \$
12. ACCUMULATED LOSSES					
Accumulated losses at the beginning of the financial year	(33,887,428)	(29,422,069)	(33,390,407)	(29,381,797)	
Net loss attributable to members of Eromanga Hydrocarbons NL	(9,346,238)	(4,465,359)	(3,806,238)	(4,008,610)	
Accumulated losses at the end of the financial year	(43,233,666)	(33,887,428)	(37,196,645)	(33,390,407)	

13. AUDITOR'S REMUNERATION

Total amounts paid or payable to the auditors of the Company for:

Audit or review of the financial report	112,677	32,879	112,677	32,879
Tax advice	29,655	2,400	29,655	2,400
	142,332	35,279	142,332	35,279

Grant Thornton is the auditor of both the parent and subsidiary companies.

14. PARTICULARS RELATING TO SUBSIDIARY COMPANIES

	Country of Incorporation	Percentage Owned %		Contribution to consolidated loss	
		2009	2008	2009	2008
Parent Entity:					
Eromanga Hydrocarbons NL	Australia	–	–	(3,806,238)	(2,687,073)
Subsidiaries:					
Exploration & Geological Services Pty Ltd	Australia	100%	100%	–	–
101-103 George Street, East Melbourne Pty Ltd	Australia	100%	100%	–	–
Mercury Brazil Ltd	United Kingdom	100%	100%	–	–
Mercury do Brasil Oil & Gas Ltda	Brazil	100%	100%	(5,540,000)	(1,778,286)
				(9,346,238)	(4,465,359)

15. KEY MANAGEMENT PERSONNEL

a) Details of Key Management Personnel

Mr Michael Goldhirsch	Executive Chairman
Mr Philip Galloway	Chief Executive Officer
Mr Christian Turner	Chief Exploration Officer
Mr Joshua Goldhirsch	Chief Financial Officer
Mr John Weston	Executive Director
Mr Stephen Shnider	Non-executive Director

	NOTE	CONSOLIDATED		PARENT	
		2009 \$	2008 \$	2009 \$	2008 \$
b) Compensation for Key Management Personnel					
Short-term employee benefits		660,000	462,300	660,000	462,300
Post-employment benefits		44,100	29,490	44,100	29,490
Other long-term benefits		–	–	–	–
Termination benefits		–	–	–	–
Share-based payment		2,211,361	1,852,997	2,211,361	1,852,997
		2,915,461	2,344,787	2,915,461	2,344,787

Notes to the Financial Statements

c) Options and Rights Holdings

	Balance 1/7/08	Received as Remuneration	Exercised	Net Change Other	Balance 30/6/09	Exercisable	Not Exercisable
Michael Goldhirsch	1,025,000 Options 4,000,000 (a) 4,000,000 (b) 1,250,000 (c) 1,250,000 (d)	1,500,000 (e) 1,500,000 (f)	1,250,000 (c) 1,250,000 (d)	– –	1,025,000 Options 4,000,000 (a) 4,000,000 (b) 1,500,000 (e) 1,500,000 (f)	1,025,000 Options 4,000,000 (a) 4,000,000 (b)	1,500,000 (e) 1,500,000 (f)
Philip Galloway	2,500,000 Options 2,000,000 (a) 2,000,000 (b)	3,000,000 (e) 3,000,000 (f)	2,500,000 Options	2,500,000 Options	2,500,000 Options 3,000,000 (e) 3,000,000 (f) 2,000,000 (a) 2,000,000 (b)	2,500,000 Options 2,000,000 (a) 2,000,000 (b)	3,000,000 (e) 3,000,000 (f)
Christian Turner	9,192,307 Options 1,500,000 (c) 1,500,000 (d)	1,500,000 (e) 1,500,000 (f)	– –	– –	9,192,307 Options 1,500,000 (c) 1,500,000 (d) 1,500,000 (e) 1,500,000 (f)	9,192,307 Options	1,500,000 (c) 1,500,000 (d) 1,500,000 (e) 1,500,000 (f)
Joshua Goldhirsch	1,163,948 Options	500,000 (e) 500,000 (f)	– –	– –	1,163,948 Options 500,000 (e) 500,000 (f)	1,163,948 Options	500,000 (e) 500,000 (f)
Stephen Shnider	300,000 (c) 300,000 (d)	–	–	–	300,000 (c) 300,000 (d)	–	300,000 (c) 300,000 (d)
John Weston	3,125,000 (c) 3,125,000 (d)	500,000 (e) 500,000 (f)	3,125,000 (c) 3,125,000 (d)	– –	500,000 (e) 500,000 (f)	–	500,000 (e) 500,000 (f)

(a) Directors Options A Class

(b) Directors Options B Class

(c) Performance Rights (\$0.20 hurdle)

(d) Performance Rights (\$0.30 hurdle)

(e) Performance Rights (\$0.75 hurdle)

(f) Performance Rights (\$1.00 hurdle)

Notes to the Financial Statements

d) Shareholdings

Number of Shares held by Directors directly, indirectly or beneficially

	Balance 1/7/08	Received as Remuneration	Options Exercised	Net Change Other	Balance 30/6/09
Michael Goldhirsch	3,105,441 Fully Paid Shares 1,025,000 Options	–	1,250,000 Performance Rights (\$0.20 Hurdle) 1,250,000 Performance Rights (\$0.30 Hurdle)	–	5,605,441 Fully Paid Shares 1,025,000 Options
Philip Galloway	5,141,093 Fully Paid Shares 513,500 Partly Paid Shares 2,500,000 Options	–	2,500,000 Options	2,500,000 Options	7,641,093 Fully Paid Shares 513,500 Partly Paid Shares 2,500,000 Options
Christian Turner	9,000,000 Fully Paid Shares 9,192,307 Options	–	–	–	9,000,000 Fully Paid Shares 9,192,307 Options
Joshua Goldhirsch	5,154,441 Fully Paid Shares 328,000 Partly Paid Shares 1,163,948 Options	–	–	–	5,154,441 Fully Paid Shares 328,000 Partly Paid Shares 1,163,948 Options
Stephen Shnider	1,000 Fully Paid Shares	–	–	–	1,000 Fully Paid Shares
John Weston	277,822 Fully Paid Shares 277,822 Consideration Options	–	3,125,000 Performance Rights (\$0.20 Hurdle) 3,125,000 Performance Rights (\$0.30 Hurdle) 277,822 Consideration Options	–	6,805,644 Fully Paid Shares

d) Remuneration Practices

The company's policy for determining the nature and amounts of emoluments of directors and senior executives of the company is as follows;

The Company does not have a separately constituted remuneration committee. The Company is not of a sufficient size to warrant the existence of a separate remuneration committee. All matters that could be delegated to such a committee are dealt with by the full Board.

The Company seeks to remunerate Directors and executives in accordance with the general principles recommended by the ASX. The Company is committed to remunerating executives in a manner that is market-competitive, reflects duties and supports the interests of shareholders.

Notes to the Financial Statements

	NOTE	CONSOLIDATED		PARENT	
		2009	2008	2009	2008
		\$	\$	\$	\$

16. EXPENDITURE COMMITMENTS

Exploration Expenditure commitments are as follows:

– not later than one year	–	5,246,200	–	43,800
– later than one year and not later than two years	–	43,800	–	43,800
– later than two years and not later than five years	–	127,800	–	127,800
Aggregate expenditure contracted for at balance date but not provided for	–	5,417,800	–	215,400

Further expenditure for exploration and development is at the discretion of the Company.

17. EARNINGS PER SHARE

The following reflects the income and share data used in the calculations of earnings per share

Basic\diluted earnings loss per share (cents)	(5.97)c	(3.33)c
Net Loss	(9,346,238)	(4,465,359)
	No.	No.

Weighted average number of ordinary shares outstanding during the year used in calculation of basic earnings per share.	156,623,245	134,159,193
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The calculation of the weighted average number of ordinary shares does not include options.

18. FRANKING ACCOUNT

Adjusted franking account balance	–	–
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19. CONTINGENT LIABILITIES

The Company is in a commercial dispute with Silver Marlin in relation to the drilling of Blocks 59 & 138. The Company's Management, based on its legal advisors opinion, understands that Silver Marlin has no basis to claim additional expenses that the Company has been notified as outstanding. The Company strongly disputes this claim and as such does not expect any loss as an outcome.

20. RELATED PARTY DISCLOSURES

Transactions between related parties are on normal commercial terms and conditions unless otherwise stated. Amounts receivable or owing to related parties are included at Notes 5 & 9.

(a) The directors of the parent entity who held office during the year were as follows:

M. Goldhirsch
P. Galloway
C. Turner
J. Goldhirsch
J. Weston
S. Shnider

Remuneration of Directors is disclosed at note 15.

(b) Interest in subsidiaries is included at Note 14

(c) Loan balance with subsidiary company is included at Note 5.

21. SEGMENT INFORMATION

(A) BUSINESS SEGMENTS

The company operated in Australia and Brazil. Business segment information is as follows.

Geographical segment information would not be significantly different to the following business segments.

	Mining & Geological		Equity & Investment		Consolidated	
	2009	2008	2009	2008	2009	2008
	\$	\$	\$	\$	\$	\$
Operating Revenue	59,315	–	447,940	396,854	507,255	396,854
Segment Results	(5,093,045)	(1,284,012)	(4,253,193)	(3,181,347)	(9,346,238)	(4,465,359)
Segment Assets	8,376,354	7,442,471	4,727,204	13,640,178	13,103,558	19,922,653
Segment Liabilities	–	–	203,981	1,390,967	203,981	1,390,967

Notes to the Financial Statements

22. FINANCIAL RISK MANAGEMENT

The Company's financial instruments consist mainly of deposits with banks, local money market instruments, investments, accounts receivable and payable, loans to and from subsidiaries and foreign exchange transactions.

The main purpose of non-derivative financial instruments is to facilitate finance for group operations.

(a) Risk Management

The Board meet on a regular basis to analyse financial risk exposure and to evaluate treasury management strategies in the context of the most recent economic conditions and forecasts. The Board's overall risk management strategy seeks to assist the consolidated group in meeting its financial targets, whilst minimising potential adverse effects on financial performance. Risk management policies are approved and reviewed by the Board on a regular basis. These include the use of foreign exchange transactions, credit risk policies and future cash flow requirements.

Financial Risks Exposures and Management

The main risks the Company is exposed to through its financial instruments are interest rate risk, foreign currency risk, liquidity risk, credit risk and price risk.

Interest Rate Risk

Interest rate risk is managed predominantly with floating rate investments to ensure liquidity for payment of exploration expenses (Refer note (b) for further information).

Foreign Currency Risk

The Company is exposed to fluctuations in foreign currencies arising from the consolidation of subsidiaries from currencies other than the Company's measurement currency.

Liquidity Risk

Liquidity risk arises from the management of working capital to meet operational and exploration requirements. All the Company's current liabilities have maturities of less than 6 months. The Company manages liquidity risk by monitoring forecast cash flows and ensuring that adequate funds are maintained.

Credit Risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements.

Credit risk is managed on a group basis and reviewed regularly by the Board. It arises primarily from exposures to loans made to the Companies subsidiaries, cash and cash equivalents due to potential defaults from counterparties.

The Board monitors credit risk by actively assessing the rating quality and liquidity of counter parties and only banks and financial institutions with an 'A' rating are utilised. The economic entity does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the economic entity.

Receivables due from major debtors are not normally secured by collateral, however the credit worthiness of debtors is monitored.

Price Risk

The company is exposed to equity securities price risk that arises from investments held by the Group. These are not actively traded and held for strategic purposes.

Notes to the Financial Statements

22. FINANCIAL RISK MANAGEMENT (Continued)

(b) Interest Rate Risk Exposure

The economic entity is exposed to interest rate risk through primary financial assets and financial liabilities. The Company has funds on deposit with financial institutions which are interest bearing at the current interest rates provided by the financial institutions where the deposits are held. At balance date, the Company has no borrowings and has not entered into any interest rate transactions for the purposes of borrowings. The following table summarises the interest rate risk for the economic entity, together with the effective weighted average interest rate for each class of financial assets and liabilities.

CONSOLIDATED	Note	Floating	Fixed Interest Maturing		Non-Interest bearing	Total
		Interest Rate	1 year or less	Over 1 to 5 years		
		\$	\$	\$	\$	\$
2009						
Financial Assets						
Cash	24(a)	4,644,301	–	–	–	4,644,301
Receivables	5	–	–	–	646	646
Investments Available for sale	6	–	–	–	82,257	82,257
Total Financial Assets		4,644,301	–	–	82,903	4,727,204
Weighted average interest rate		2.8%	–	–	–	–
Financial Liabilities						
Trade and Sundry Creditors	9	–	–	–	203,481	203,481
Total Financial Liabilities		–	–	–	203,481	203,481
Weighted average interest rates		–	–	–	–	–
Net financial assets		4,644,301	–	–	(120,578)	4,523,723
2008						
Financial Assets						
Cash	24(a)	12,073,058	164,637	–	–	12,237,695
Receivables	5	–	–	–	40,909	40,909
Investments Available for sale	6	–	–	–	610,670	610,670
Total Financial Assets		12,073,058	164,637	–	651,579	12,889,274
Weighted average interest rate		5.8%	6.2%	–	–	–
Financial Liabilities						
Trade and Sundry Creditors	9	–	–	–	1,390,467	1,390,467
Total Financial Liabilities		–	–	–	1,390,467	1,390,467
Weighted average interest rates		–	–	–	–	–
Net financial assets		12,073,058	164,637	–	(738,888)	11,498,807

Notes to the Financial Statements

22. FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity Risk Exposure

Maturity analysis of financial assets and liabilities are based on management's expectations and reflects a balanced view of cash inflows and outflows.

PARENT

Year ended 30 June 2009	<12 months	1-5 years	>5 years	Total
Financial Assets				
Cash and cash equivalents	4,455,671	–	–	4,455,671
Receivables	13,443,853	–	–	13,443,853
Other Financial Assets	–	–	584,075	584,075
	17,899,524	–	584,075	18,483,599
Financial Liabilities				
Trade and other payables	203,218	14,492	–	217,710
	203,218	14,492	–	217,710
Net maturity	17,696,306	14,492	584,075	18,265,889

Year ended 30 June 2008	<12 months	1-5 years	>5 years	Total
Financial Assets				
Cash and cash equivalents	12,212,366	–	–	12,212,366
Receivables	5,746,298	–	–	5,746,298
Other Financial Assets	–	–	993,166	993,166
	17,958,664	–	993,166	18,951,830
Financial Liabilities				
Trade and sundry creditors	47,242	14,492	–	61,734
	47,242	14,492	–	61,734
Net maturity	17,911,422	(14,492)	993,166	18,890,096

Notes to the Financial Statements

22. FINANCIAL RISK MANAGEMENT (Continued)

CONSOLIDATED

Year ended 30 June 2009	<12 months	1-5 years	>5 years	Total
Financial Assets				
Cash and cash equivalents	4,644,301	–	–	4,644,301
Receivables	646	–	–	646
Available for sale financial assets	–	–	82,257	82,257
	4,644,947	–	82,257	4,727,204

Financial Liabilities				
Trade and sundry creditors	203,481	–	–	203,481
	203,481	–	–	203,481
Net maturity	4,441,466	–	82,257	4,523,723

Year ended 30 June 2008	<12 months	1-5 years	>5 years	Total
Financial Assets				
Cash and cash equivalents	12,237,695	–	–	12,237,695
Receivables	40,909	–	–	40,909
Available for sale financial assets	–	–	610,670	610,670
	12,278,604	–	610,670	12,889,275

Financial Liabilities				
Trade and sundry creditors	1,390,467	–	–	1,390,467
	1,390,467	–	–	1,390,467
Net maturity	10,888,137	–	610,670	11,408,807

Notes to the Financial Statements

22. FINANCIAL RISK MANAGEMENT (Continued)

(d) Net fair values of financial assets and liabilities

(i) The net fair value of cash and cash equivalents and non-interest bearing monetary financial assets and liabilities approximate their carrying values as disclosed in the balance sheet and the notes to the financial statements.

(ii) The carrying amounts and estimated net value of equity investments are given below. Non-listed securities – assessment by the directors based on the underlying net assets, future maintainable earnings and any special circumstances pertaining to a particular investment.

Financial assets	Carrying amount		Net fair value	
	2009	2008	2009	2008
Investments – listed securities	82,255	201,577	82,255	201,577
Investments – Joint venture	–	409,091	–	409,091

(e) Sensitivity Analysis

Interest Rate Risk, Foreign Currency Risk and Price Risk

The Company has performed a sensitivity analysis relating to its exposure to interest rate risk, foreign currency risk and price risk at balance date. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in these risks.

Interest Rate Sensitivity Analysis

At 30 June 2009, the effect on profit and equity as a result of managements estimation of reasonable changes in the interest rate, with all other variables remaining constant would be as follows:

Change in Profit	
– Increase in interest rate by 2%	\$8,958
– Decrease in interest rate by 2%	(\$8,958)
Change in Equity	
– Increase in interest rate by 2%	Nil
– Decrease in interest rate by 2%	Nil

Foreign Currency Risk Sensitivity Analysis

At 30 June 2009, the effect on profit and equity as a result of managements estimation of reasonable changes in the value of the Australian Dollar to the Brazilian Real, with all other variables remaining constant would be as follows:

Change in Profit	
– Improvement in AUD to BRL by 5%	Nil
– Decline in AUD to BRL by 5%	Nil
Change in Equity	
– Improvement in AUD to BRL by 5%	\$277,000
– Decline in AUD to BRL by 5%	(\$277,000)

Price Risk Sensitivity Analysis

At 30 June 2009, the effect on profit and equity as a result of managements estimation of reasonable changes in the market value of our listed investments, with all other variables remaining constant:

Change in Profit	
– Increase in market value by 5%	NIL
– Decrease in market value by 5%	NIL
Change in Equity	
– Increase in market value by 5%	\$3,980
– Decrease in market value by 5%	(\$3,980)

Notes to the Financial Statements

23. OTHER RELATED ENTITIES

The controlled entity, 101–103 George Street East Melbourne Pty Ltd, owns 6.47% of Bisan Limited which carries the same proportion of voting power at the general meeting. There are some common board members for both Eromanga Hydrocarbons NL and Bisan Limited. The principal activity of Bisan Limited is investment and trading activities. The carrying value of the investment at 30 June 2009 is \$79,550 (2008: \$198,872) measured at fair value (refer Note 6).

Bisan Limited's ownership interest in Eromanga Hydrocarbons NL was 27,200,000 (2008: 27,200,000) representing 24.75% of the partly paid equity and 5,000,000 (2008: 5,000,000) representing 3.01% of the fully paid ordinary shares.

	NOTE	CONSOLIDATED		PARENT	
		2009 \$	2008 \$	2009 \$	2008 \$

24. NOTES TO THE STATEMENT OF CASHFLOWS

(a) Reconciliation of Cash

Cash at bank and on hand	4,644,301	12,073,058	4,455,671	12,047,729
	4,644,301	12,073,058	4,455,671	12,047,729
Cash on deposit and held in trust	–	164,637	–	164,637
	4,644,301	12,237,695	4,455,671	12,212,366

For the purpose of the statement of cash flow, cash includes cash on hand and in banks maturing within 30 days, net of outstanding bank overdrafts.

(b) Reconciliation Of Net Cash Used By Operating Activities To Operating Loss After Income Tax

Operating loss after income tax	(9,346,238)	(4,465,359)	(3,806,238)	(4,008,610)
Less non cash items:				
Share-based payment	2,213,505	1,876,299	2,213,505	1,876,299
Impairment	409,091	579,998	409,091	1,321,537
Foreign exchange loss	651,418	–	–	–
Exploration costs written off	4,186,181	–	–	–
Changes in Assets and Liabilities				
(Increase)/Decrease in deposit held in trust	–	(8,696)	–	(8,696)
(Increase)/Decrease in receivables	40,265	–	40,263	3,890
(Decrease)/Increase in creditors and accruals	(1,186,986)	1,298,059	155,976	(48,784)
Net cash outflows from operating activities	(3,032,764)	(719,690)	(987,403)	(864,364)

25. EMPLOYEES

The company currently employs six employees.

26. SUBSEQUENT EVENTS

On 23 July 2009 the ANP (Brazil's oil industry regulator) approved Block 330 for commercialisation being named as Harpia Field. The Company raised in excess of \$3 million as a result of the exercise of its ERHO options. These options expired on 24 July 2009. At the date of this report no other matter or circumstance has arisen since 30 June 2009 that has significantly affected or may significantly affect:

- (a) the operations, in financial years subsequent to 30 June 2009, of the economic entity constituted by Eromanga Hydrocarbons NL and the entities it controls; or
- (b) the results of those operations; or
- (c) the state of affairs of the economic entity, in financial year subsequent to 30 June 2009.

27. GUARANTEES

The Department of Primary Industries has cancelled the rehabilitation bonds held for the Victorian exploration licences EL 4545 & EL 4705 in the amount of \$20,000. These funds have been returned to the Company.

STOCK EXCHANGE INFORMATION

SHARE DETAILS (AS AT 31 AUGUST 2009)

Fully Paid Shares

(1) TOP 20 HOLDERS	UNITS	% OF ISSUED CAPITAL
Axburgh Investments Pty Ltd	9,800,000	5.25
John Ronald Weston	6,805,644	3.65
Citicorp Nominees Pty Ltd	6,086,128	3.26
Haydos Corporation Pty Ltd	5,300,000	2.84
Elken Tower Pty Ltd	5,000,000	2.68
ANZ Nominees Limited	4,206,331	2.25
HSBC Custody Nominees (Australia) Ltd	4,050,256	2.17
Merrill Lynch (Australia) Nominees Pty Ltd	3,489,354	1.87
Philip Alexander Galloway	3,000,000	1.61
Joshua Goldhirsch	2,863,948	1.53
Mianer Pty Ltd	2,610,754	1.40
Zakaria Khalil Ibrahim Doleh	2,519,887	1.35
Michael Goldhirsch	2,501,000	1.34
Ankaa Springs Pty Ltd	2,133,531	1.14
Jacana Glen Pty Ltd	2,000,000	1.07
Philip Galloway & Jacqueline Schaeckers	1,800,000	0.96
Twynam Agricultural Group Pty Ltd	1,770,000	0.95
Sixty Ninth Shackle Pty Ltd	1,654,441	0.89
SH Rayburn Nominees Pty Ltd	1,620,850	0.87
Philip Alexander David Galloway	1,600,000	0.86
	70,812,124	37.93

(2) ANALYSIS OF HOLDINGS

DISTRIBUTION	HOLDERS	UNITS	% OF ISSUED CAPITAL
1 – 1,000	517	243,756	0.13
1,001 – 5,000	271	834,704	0.45
5,001 – 10,000	251	2,194,527	1.15
10,001 – 100,000	876	37,149,600	19.90
100,001 – OVER	260	146,295,786	78.37
TOTALS	2,175	186,673,373	100
OVERSEAS HOLDERS	94	15,062,826	8.06
HOLDERS WITH LESS THAN MARKETABLE PARCEL OF 3,226	672	567,232	0.30

Stock Exchange Information – Share details (as at 31 August 2009)

(3) GENERAL INFORMATION

(a) A total of 70,812,124 fully paid shares representing 37.93% of the fully paid share capital were held by the twenty largest shareholders.

(b) Voting rights – On a show of hands, every member present shall have one vote and upon a poll every member present in person or by proxy or attorney shall have one vote for every share held by that member.

(c) Direct interest of directors in the share capital of the company at 31 August 2009:

Michael Goldhirsch	6,208,941
Stephen Shnider	1,000
Philip Galloway	7,400,000
Joshua Goldhirsch	6,743,389
Christian Turner	9,810,000
John Weston	6,805,644

(d) Substantial shareholders at 31 August 2009:

Axburgh Investments Pty Ltd	9,800,000
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(e) Additional Information:

(i) The name of the Company Secretary is Mr Joshua Goldhirsch.

(ii) The address of the principal registered office in Australia is Level 15, 484 St Kilda Road, Melbourne, Victoria 3004. Telephone (03) 9867 7828

(iii) The address of the share registry is Computershare Investor Services Pty Ltd, Yarra Falls, 452 Johnston Street, Abbotsford Victoria 3067. Telephone (03) 9415 5000.

Stock Exchange Information – Share details (as at 31 August 2009)

Partly Paid Shares

(1) TOP 20 HOLDERS	UNITS	% OF ISSUED CAPITAL
Elken Tower Pty Ltd	27,200,000	24.75
Corectime Pty Ltd	21,000,000	19.11
SH Rayburn Nominees Pty Ltd	13,319,239	12.12
D & D Nominees Pty Ltd	5,164,000	4.70
Tivmoss Investments Pty Ltd	3,390,189	3.08
Tansearch Pty Ltd	1,644,500	1.50
Aliton Pty Ltd	1,520,000	1.38
Saginel Holdings Pty Ltd	1,500,000	1.36
Pristine Equity Pty Ltd	1,300,000	1.18
Koksal Ergun	1,187,375	1.08
Carlo Chiodo	1,110,000	1.01
Stuart Lindsey Bell	1,006,000	0.92
Arredo Pty Ltd	1,000,000	0.91
Paul Hennelly Management Consultants P/L	902,500	0.82
Margaret Frances Line	900,000	0.82
Sked Pty Ltd	899,076	0.82
Sara Victoria Cartmell	842,504	0.77
Brian M. Moore & Alexander Negoescu	800,000	0.73
Vada Leolie Nominees Pty Ltd	800,000	0.73
Graham Justin Shann Evans	712,000	0.65
	86,197,383	78.42

(2) ANALYSIS OF HOLDINGS

DISTRIBUTION	HOLDERS	UNITS	% OF ISSUED CAPITAL
1 – 1,000	110	68,174	0.06
1,001 – 5,000	96	261,774	0.24
5,001 – 10,000	38	317,500	0.29
10,001 – 100,000	100	4,890,343	4.45
100,001 – OVER	80	104,376,522	94.96
TOTALS	424	109,914,313	100
OVERSEAS HOLDERS	18	1,672,772	1.52
HOLDERS WITH LESS THAN MARKETABLE PARCEL OF 13,889	250	721,488	0.65

Stock Exchange Information – Share details (as at 31 August 2009)

(3) GENERAL INFORMATION

- (a) A total of 86,197,383 partly paid shares representing 78.42% of the fully paid share capital were held by the twenty largest shareholders.
- (b) Voting rights – On a show of hands, every member present shall have one vote and upon a poll every member present in person or by proxy or attorney shall have one vote for every share held by that member.
- (c) Substantial shareholders at 31 August 2009:
- | | |
|-----------------------------|------------|
| Elken Tower Pty Ltd | 27,200,000 |
| Corectime Pty Ltd | 21,000,000 |
| SH Rayrurn Nominees Pty Ltd | 13,319,239 |
- (d) Additional Information:
- (i) The name of the Company Secretary is Mr Joshua Goldhirsch.
- (ii) The address of the principal registered office in Australia is Level 15, 484 St Kilda Road, Melbourne, Victoria 3004. Telephone (03) 9867 7828.
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Stock Exchange Information – Share details (as at 31 August 2009)

Options

(1) TOP 20 HOLDERS	UNITS	% OF ISSUED CAPITAL
Axburgh Investments Pty Ltd	4,000,000	15.90
Koksal Ergun	1,639,874	6.52
Koksal Ergun	1,084,486	4.31
M Sztar Pty Ltd	1,071,227	4.26
Philip Galloway & J Schaekers	1,000,000	3.98
Mianer Pty Ltd	900,000	3.58
Philip Galloway	800,000	3.18
SH Rayburn Nominees Pty Ltd	800,000	3.18
Halifax (Mohaka) Ltd	700,000	2.78
Philip Galloway & Jacqueline Schaekers	600,000	2.39
Joshua Goldhirsch	600,000	2.39
M Venture Pty Ltd	517,000	2.06
Jeffrey Hunt	510,000	2.03
Gaon Holdings Pty Ltd	425,000	1.69
H Wallace Smith & Co Pty Ltd	400,000	1.59
Pacific Gold Resources Ltd	384,615	1.53
Joshua Goldhirsch	363,948	1.45
Paul Yerondais	350,000	1.39
Giovanni Spagnolo	349,944	1.39
Halifax (Mohaka) Limited	308,413	1.23
	16,804,507	66.81

(2) ANALYSIS OF HOLDINGS

DISTRIBUTION	HOLDERS	UNITS	% OF ISSUED CAPITAL
1 – 1,000	1	4	0.00
1,001 – 5,000	7	26,975	0.11
5,001 – 10,000	6	48,900	0.19
10,001 – 100,000	65	3,360,948	13.36
100,001 – OVER	46	21,716,593	86.34
TOTALS	125	25,153,420	100
OVERSEAS HOLDERS	18	1,672,772	1.52

Stock Exchange Information – Share details (as at 31 August 2009)

(3) GENERAL INFORMATION

(a) A total of 16,804,507 options representing 66.81% of the listed options were held by the twenty largest optionholders.

(b) Substantial optionholders at 31 August 2009:

Axburgh Investments Pty Ltd	4,000,000
Koksal Ergun	1,639,874

(d) Additional Information:

(i) The name of the Company Secretary is Mr Joshua Goldhirsch.

(ii) The address of the principal registered office in Australia is Level 15, 484 St Kilda Road, Melbourne, Victoria 3004.
Telephone (03) 9867 7828.

(iii) The address of the share registry is Computershare Investor Services Pty Ltd, Yarra Falls, 452 Johnston Street, Abbotsford Victoria 3067. Telephone (03) 9415 5000.



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