

## 11 Notes to the Consolidated Financial Statements

### FOR THE YEAR ENDED 31 MARCH 2009

#### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### 1.1 Significant accounting policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied unless otherwise stated. The financial report includes the separate financial statements of AusTex Oil Limited and the consolidated financial statements of the group.

##### 1.2 Basis of preparation

###### New Accounting Standards and Interpretations

The financial report is a financial report which has been prepared in accordance with Australian Equivalents to International Financial Reporting Standards (AIFRS), other authoritative pronouncements of the Australian Accounting Standards Board, (including Australian Accounting Interpretations) and the Corporations Act 2001.

These consolidated financial statements are prepared on the basis of historical cost convention, except for available for sale financial assets that have been measured at fair value.

In the application of AIFRS, management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments.

##### 1.3 Statement of compliance

The financial report complies with Australian Accounting Standards, which include the Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report, comprising the financial statements and accompanying notes, complies with International Financial Reporting Standards (IFRS).

The financial statements were approved by the Board of Directors on 29 June 2009.

##### 1.4 Consolidation

The Consolidated Financial Report includes the consolidation of AusTex Oil Limited, International Energy Corporation (Oklahoma), Well Enhancement Services LLC and International Energy Corporation (Kansas) as at 31 March 2009.

Subsidiaries are entities controlled by AusTex. Control exists when AusTex has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account.

The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Intragroup balances and any unrealised gains and losses or income and expenses arising from intragroup transactions are eliminated in preparing the consolidated financial statements.

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

An impairment loss is reversed if the reversal can be related to an event occurring after the impairment loss was recognised. A reversal of an impairment loss is recognised in the Income Statement, unless the relevant loss was carried at fair value in which case the reversal is treated as a revaluation increase.

AusTex assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in profit or loss. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

**1.7 Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, Bank deposits and other highly liquid investments.

**1.8 Available-for-sale financial assets**

Available-for-sale financial assets comprising marketable equity securities are recognised at fair value. Unrealised gains and losses arising from changes in the fair value are recognised in equity in the Fair Value Reserve. The fair values of quoted investments are based on current market prices.

Considerations such as significant or prolonged decline in the fair value of investments below their cost are used in determining whether the investments are impaired. When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains and losses from investment securities.

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

**1.9 Trade and other receivables**

Trade and other receivables are measured at amortised cost, less provision for impairment. The amount of the provision is recognised in the income statement.

**1.10 Revenue Recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and that it can be reliably measured.

*Sales*

Sales are recognised in the financial period during which hydrocarbons are produced, provided that prior to the reporting date they are either sold or delivered in the normal course of business in accordance with agreements with purchasers.

Sales revenue represents amounts invoiced, excluding applicable taxation.

*Interest*

Interest is recognised as it accrues.

**1.11 Oil and Gas Assets – Assets in development**

The cost of oil and gas producing assets and capitalised expenditure on oil and gas assets under development are accounted for separately and are stated at cost less accumulated depreciation and impairment losses. Costs include expenditure that is directly attributable to the acquisition or construction of the item as well as past exploration and evaluation costs.

In addition, costs include, (i) the initial estimate at the time of installation and during the period of use, when relevant, the costs of dismantling and removing the items and restoring the site on which they are located, and (ii) changes in the measurement of existing liabilities recognised for these costs resulting from changes in the timing or outflow of resources required to settle the obligation or from changes in the discount rate.

When an oil and gas asset commences production, costs carried forward will be amortised on a units of production basis over the life of the economically recoverable reserves. Changes in factors such as estimates of economically recoverable reserves that affect amortisation calculations do not give rise to prior financial period adjustments and are dealt with on a prospective basis.

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)****1.12 Exploration and Evaluation Assets**

Exploration and evaluation costs including costs of acquiring mineral interests are accumulated in respect of each separate area of interest. Exploration costs including personnel costs, geological, geophysical, seismic and drilling costs are capitalised and carried forward provided that rights to tenure of the areas of interest are current and either there is a reasonable probability of recoupment through successful development and exploitation or sale, or where exploration and evaluation activities have not yet reached a stage which permits a reasonable assessment of the existence of economically recoverable reserves, and active and significant exploration operations are continuing. When an area of interest is approved for development the accumulated expenditure is transferred to oil and gas assets.

**1.13 Rehabilitation and Restoration**

Provisions made for environmental rehabilitation are recognised where there is a present obligation as a result of exploration, development or production activities having been undertaken, and it is probable that an outflow of economic benefits will be required to settle the obligation. The estimated future obligations include the costs of removing facilities, abandoning wells and restoring the affected areas. The provision for future restoration costs is the best estimate of the present value of the expenditure required to settle the obligation at the reporting date, based on current legal requirements and technology.

Future restoration costs are reviewed annually and any changes are reflected in the present value of the restoration provision at the end of the reporting period. The amount of the provision for future restoration costs relating to exploration and development activities is capitalised as a cost of those activities. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money, and where appropriate the risks specific to the liability. The unwinding of discounting of the provision is recognised as a finance cost.

**1.14 Financial Instruments****(a) Initial recognition**

Financial instruments, or their component parts, are recognised on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial assets and financial liabilities are recognised in the Balance Sheet in accordance with the substance of the contractual provisions of the instrument.

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)****(b) Trade and other payables**

Creditors and other payables, including accruals for goods received but not yet billed, are recognised when AusTex becomes obliged to make future payments principally as a result of the purchase or goods and services.

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Trade and other payables are carried at amortised cost.

**(c) Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and on demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

**(d) Bank overdraft and borrowings**

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with AusTex accounting policy for borrowing costs.

**1.15 Property, plant and equipment**

The cost of an item of property, plant and equipment is recognised as an asset when it is probable that future economic benefits associated with the item will flow to AusTex and the cost of the item can be measured reliably. Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently on the items. Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

**1.16 Depreciation**

Depreciation is charged to the Income Statement using the reducing balance method over the estimated useful life of the assets. The assets' residual values, useful lives and amortisation methods are reviewed and adjusted if necessary at each financial year.

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)****1.17 Provisions**

Provisions are recognised when the company has a present obligation, the future sacrifice of economic benefits is probable and the provision can be readily measured. The amount recognised as a provision is the best estimate.

**1.18 Share based payments**

The allocation of shares as payment for goods and services, are measured at fair value of the equity instrument. The fair value calculated in accordance with AASB 2 'Share-based Payment' is charged against profit or loss in the relevant periods or an increase in assets.

**1.19 Intangibles**

Intangible assets acquired separately or in a business combination are initially measured at cost. The cost of an intangible asset acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalised and expenditure is recognised in profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at the end of each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the amortisation period or method, as appropriate, which is a change in accounting estimate. The amortisation expense (if any) on intangible assets with indefinite lives is recognised in profit and loss in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed each reporting period to determine whether indefinite life assessment continues to be supportable. If not the change in the useful life assessment from indefinite to finite is accounted for as a change in an accounting estimate and is thus accounted for on a prospective basis.

***Inventories***

Stocks of petroleum products have been valued at the lower of cost and net realizable value. Cost is derived on a absorption costing basis and includes direct operating costs and an appropriate proportion of fixed and variable overheads.

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)****1.20 Income tax**

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the Income Statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affect neither accounting nor taxable profit/loss and differences relating to investments in subsidiaries to the extent that they will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Revenue, expenses, assets and liabilities are recognised net of the amount of goods and services tax (GST), except where the amount of the GST incurred is not recoverable from the taxation authority. In these circumstances, GST is recognised as part of the cost of the acquisition of the asset or of the expense. Receivables and payables are stated with the amount of GST included. The net amount of the GST recoverable from, or payable to, the Australian Taxation Office is included as a current asset or liability in the Balance Sheet.

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (cont'd)**1.21 New Accounting Standards and Interpretations**

A number of Accounting Standards and Interpretations had been issued but were not yet effective. The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application.

<b>Standard/Interpretation</b>	<b>Effective for annual reporting periods beginning on or after</b>	<b>Expected to be initially applied in the financial year ending</b>
AASB 8 'Operating Segments' and AASB 2007-3 'Amendments to Australian Accounting Standards arising from AASB 8'	1 January 2009	31 March 2010
AASB 101 (revised September 2007) 'Presentation of Financial Statements' and AASB 2007-8 'Amendments to Australian Accounting Standards arising from AASB 101' and AASB 2007-10 'Further Amendments to Australian Accounting Standards arising from AASB 101'	1 January 2009	31 March 2010
AASB 123 'Borrowing Costs' - revised standard and AASB 2007-6 'Amendments to Australian Accounting Standards arising from AASB 123'	1 January 2009	31 March 2010
AASB 2008-1 Amendments to Australian Accounting Standard - Share-based Payments: Vesting Conditions and Cancellations.	1 January 2007	31 March 2010

The Directors note that the impact of the initial application of the Standards and Interpretations is not yet known or is not reasonably estimable. These Standards and Interpretations will be first applied in the financial report of the Group that relates to the annual reporting period beginning on or after the effective date of each pronouncement.

NOTE		Consolidated		Parent	
		2009	2008	2009	2008
		\$	\$	\$	\$
<b>NOTE 2.</b>	<b>CASH AND CASH EQUIVALENTS</b>				
	Cash	407,544	3,259,831	287,746	2,643,079
	Bills and bank deposits	4,852,654	14,106,399	4,824,320	14,106,399
		-----	-----	-----	-----
		5,260,198	17,366,230	5,112,066	16,749,478
		=====	=====	=====	=====
<b>NOTE 3.</b>	<b>TRADE AND OTHER RECIVABLES</b>				
	Notes receivable	166,667	61,552	-	-
	Prepayments	9,904	59,039	39,600	52,800
	Other receivables	239,501	61,500	95,400	61,500
		-----	-----	-----	-----
		416,072	182,091	135,000	114,300
		=====	=====	=====	=====
<b>NOTE 4.</b>	<b>INVENTORIES</b>				
	Petroleum products - at cost	-	47,944	-	-
	Other - materials	4,395	-	-	-
		-----	-----	-----	-----
		4,395	47,944	-	-
		-----	-----	-----	-----
<b>NOTE 5.</b>	<b>AVAILABLE FOR SALE FINANCIAL ASSETS (CURRENT)</b>				
	Listed equity securities at quoted market value	209,000	125,000	209,000	125,000
		-----	-----	-----	-----
<b>NOTE 6.</b>	<b>EXPLORATION AND EVALUATION ASSETS</b>				
	Balance at beginning of year	-	-	-	-
	Additions	3,041,756	-	-	-
	Effect of movements in foreign exchange	735,235	-	-	-
		-----	-----	-----	-----
	Balance at end of year	3,776,991	-	-	-
		=====	=====	=====	=====

NOTE	OIL AND GAS ASSETS	Consolidated		Parent	
		2009	2008	2009	2008
7.		\$	\$	\$	\$
	<b>Assets in Development</b>				
	Balance at beginning of year	6,224,250	4,885,513	-	-
	Additions	6,847,606	1,992,194	-	-
	Effect of movements in foreign exchange	2,003,840	(598,509)	-	-
	Leases relinquished	(3,530,495)	-	-	-
	Accumulated amortisation	(87,642)	(54,948)	-	-
		-----	-----	-----	-----
	Balance at end of year	11,457,559	6,224,250	-	-
		-----	-----	-----	-----

**Winganon and Glen Evans Leases**

Following an engineering review of the Wanganon 220 acre lease group and the Glen Evans 80 acre lease, a decision was made not to renew the leases rather than initiate water flood projects with limited potential and requiring excessive manpower. This decision was also made as a result of the expected cost of rehabilitation of existing wells and infrastructure.

NOTE	INVESTMENTS IN CONTROLLED ENTITIES (NON-CURRENT)				
8.					
	Shares in unlisted controlled entities - at cost	-	-	4,500,000	4,500,000
	Loans to controlled entities	-	-	15,855,587	4,748,556
	Share based payments	-	-	<u>350,000</u>	<u>350,000</u>
		-	-	20,705,587	9,598,556
		=====	=====	=====	=====

Loans to controlled entities are interest free with no fixed repayment terms.

NOTE	INTANGIBLE ASSETS				
9.					
	Well enhancement technology	107,247	107,247	-	-
	Exchange difference	36,231	-	-	-
	Less: Amortisation	(32,643)	-	-	-
		-----	-----	-----	-----
		110,835	107,247	-	-
		-----	-----	-----	-----

NOTE		Consolidated		Parent	
		2009	2008	2009	2008
		\$	\$	\$	\$
<b>NOTE 10.</b>	<b>PROPERTY, PLANT &amp; EQUIPMENT</b>				
	At cost	806,681	309,521	-	-
	Exchange difference	182,536	(30,312)	-	-
	Less: Accumulated depreciation	(157,658)	(24,968)	-	-
		-----	-----	-----	-----
		831,559	254,241	-	-
		=====	=====	=====	=====
	<b>Movement</b>				
	Balance at beginning of year	279,209	248,269	-	-
	Additions	497,160	61,252	-	-
	Exchange difference	212,848	(30,312)	-	-
		-----	-----	-----	-----
	Balance at end of year	989,217	279,209	-	-
		=====	=====	=====	=====
	Accumulated depreciation				
	Balance at beginning of year	24,968	-	-	-
	Depreciation charge	132,690	24,968	-	-
		-----	-----	-----	-----
	Balance at end of year	157,658	24,968	-	-
		=====	=====	=====	=====
<b>NOTE 11.</b>	<b>OTHER FINANCIAL ASSETS (NON-CURRENT)</b>				
	Bond and security deposits	17,957	39,375	-	-
	Investments in unlisted shares	255,000	-	255,000	-
		-----	-----	-----	-----
		272,957	39,375	255,000	-
		=====	=====	=====	=====
<b>NOTE 12.</b>	<b>TRADE AND OTHER PAYABLES</b>				
	Accounts payable	507,130	713,867	11,337	158,070
		-----	-----	-----	-----
		507,130	713,867	11,337	158,070
		-----	-----	-----	-----

NOTE	ISSUED SHARE CAPITAL	Consolidated		Parent	
		2009	2008	2009	2008
13.		\$	\$	\$	\$
	125,700,000 (2008 122,700,000)				
	Ordinary fully paid shares	<u>27,667,550</u>	<u>27,225,410</u>	<u>27,667,550</u>	<u>27,225,410</u>

	31 March 2009		31 March 2008	
	No. of Shares	\$	No. of Shares	\$
<b>Movements in Issued Capital</b>				
Balance at beginning of year	122,700,000	27,225,410	52,700,000	6,485,000
Shares issued from exercise of options	3,000,000	450,000	-	-
Shares issued for acquisition of oil and gas assets	-	-	3,000,000	300,000
Share placements	-	-	16,300,000	1,970,000
Shares issued under prospectus	-	-	50,000,000	20,000,000
Shares issued as payments for commission	-	-	700,000	70,000
Share issue costs	-	(7,860)	-	(1,599,590)
	-----	-----	-----	-----
Balance at end of year	<u>125,700,000</u>	<u>27,667,550</u>	<u>122,700,000</u>	<u>27,225,410</u>
	=====	=====	=====	=====

3,000,000 options to subscribe for fully paid ordinary shares in the company were exercised at a price of fifteen cents per share. 750,000 unlisted options to subscribe for fully paid ordinary shares in the company at an exercise price of 40 cents expire on 30 June 2010.

NOTE	RESERVES				
14.					
	Fair value	(162,000)	-	(162,000)	-
	Foreign Currency Translation	1,759,884	(1,291,362)	-	-
		-----	-----	-----	-----
		<u>1,597,884</u>	<u>(1,291,362)</u>	<u>(162,000)</u>	<u>-</u>
		=====	=====	=====	=====

**Movement in Reserves**

<b>Fair Value</b>					
	Balance at beginning of year	-	-	-	-
	Decrease in market value of investments	(162,000)	-	(162,000)	-
		-----	-----	-----	-----
	Balance at end of year	<u>(162,000)</u>	<u>-</u>	<u>(162,000)</u>	<u>-</u>
		=====	=====	=====	=====
<b>Foreign Currency Translation</b>					
	Balance at beginning of year	(1,291,362)	(519,575)	-	-
	Net difference on translation of foreign controlled entities	3,051,246	(771,787)	-	-
		-----	-----	-----	-----
	Balance at end of year	<u>1,759,884</u>	<u>(1,291,362)</u>	<u>-</u>	<u>-</u>
		=====	=====	=====	=====

**NOTE CASH FLOW RECONCILIATION**

**15.**

Reconciliation of Net Cash Flows provided by/(used in) operating activities with Loss after Income Tax:

	<b>Consolidated</b>		<b>Parent</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Net (Loss)	(5,131,461)	(1,443,472)	(304,088)	(348,912)
<b>Add/(Less) Non cash items:</b>				
Amortisation and depreciation	137,207	79,916	-	-
Leases relinquished	3,530,495	-	-	-
Other	106,516	12,305	-	-
<b>Changes in Assets &amp; Liabilities:</b>				
(Increase)/decrease in trade and other receivables	(125,685)	(89,020)	(39,600)	(81,031)
Increase in trade and other payables	(285,086)	254,411	(63,236)	71,853
(Increase)/decrease in inventories	43,549	(42,838)	-	-
	-----	-----	-----	-----
Net cash/(used in) operating activities	(1,724,465)	(1,228,698)	(406,924)	(358,090)
	=====	=====	=====	=====

**NOTE OTHER INCOME**

**16.**

Forgiveness of debt	-	348,370	-	-
	=====	=====	=====	=====

**NOTE**

**17.**

**OTHER COSTS**

Administration costs	1,324,874	1,279,843	481,270	373,359
Audit fees	46,250	60,000	26,250	30,000
Amortisation & depreciation	137,207	79,918	-	-
Professional & consulting	645,658	629,427	239,120	126,900
Provisions	-	37,060	-	-
Other	457,704	222,730	347,131	186,786
	-----	-----	-----	-----
	2,629,693	2,308,978	1,093,771	717,045
	=====	=====	=====	=====

**NOTE LOSS PER SHARE**

**18.**

(a) Basic loss per share	(0.0405)	(0.0178)
Net loss used to calculate loss per share	(5,131,461)	(1,443,472)
Number of weighted average ordinary shares used for calculating basic loss per share	126,626,027	80,960,205

**NOTE 18. LOSS PER SHARE (cont'd)**

(b) Diluted loss per share

The Company's potential ordinary shares, being its options granted, are not considered dilutive as the conversion of these options would result in a decrease in the net loss per share

<b>NOTE 19. AUDITORS' REMUNERATION</b>	<b>Consolidated</b>		<b>Parent</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	\$	\$	\$	\$
Auditor of the company				
- Audit and review of financial report	26,250	25,000	26,250	25,000
Auditor of controlled entities				
- Audit and review of financial report	20,000	30,000	-	-
	-----	-----	-----	-----
	46,250	55,000	26,250	25,000
	=====	=====	=====	=====

**NOTE 20. INCOME TAX**

The prima facie income tax (expense)/benefit on the pre-tax accounting (loss) reconciles to the income tax expense in the accounts as follows:

(Loss) before income tax	(5,131,461)	(1,443,472)	(304,088)	(348,912)
	=====	=====	=====	=====
Income tax expense/(benefit) at 30%	(1,539,438)	(433,042)	(91,226)	(104,673)
Expenses not deductible	1,059,902	11,118	754	-
Foreign tax rate adjustment	116,720	164,184	-	-
Future tax benefits not brought to account	362,816	257,740	90,472	104,673
	-----	-----	-----	-----
Income tax expense	-	-	-	-
	=====	=====	=====	=====

**NOTE 21. RISK**

At balance date the group has no significant credit risks nor any significant business risks other than those which apply to the inherently risky oil and gas operations and to the price risk in respect of the equity investments which are classified as available-for-sale financial assets and to foreign currency risk in respect of the exchange rates of the United States dollar.

**NOTE 22. FAIR VALUE OF FINANCIAL INSTRUMENTS**

The net fair value of listed available for sale investments are carried at quoted market prices at balance date. Other financial assets and financial liabilities approximate their carrying values.

**NOTE 23. SEGMENT INFORMATION**

The group operates predominantly in one business segment, being the exploration, development and production of hydrocarbons in the USA. The consolidated entity's revenues and assets and liabilities according to geographical segments are shown below.

	<b>Total</b>	<b>2009 Australia</b>	<b>USA</b>	<b>Total</b>	<b>2008 Australia</b>	<b>USA</b>
	\$	\$	\$	\$	\$	\$
<b>Revenue and Results</b>						
Sales revenue	629,723	-	629,723	318,216	-	318,216
Interest revenue	793,116	789,683	3,433	379,068	368,133	10,935
Other revenue	-	-	-	348,370	-	348,370
	-----	-----	-----	-----	-----	-----
	1,422,839	789,683	633,156	1,045,654	368,133	677,521
	=====	=====	=====	=====	=====	=====
<b>Results</b>						
Net loss before						
Income tax	(5,131,461)	(304,088)	(4,827,373)	(1,443,472)	(348,912)	(1,094,560)
Income tax	-	-	-	-	-	-
	-----	-----	-----	-----	-----	-----
Net loss	(5,131,461)	(304,088)	(4,827,373)	(1,443,472)	(348,912)	(1,094,560)
	=====	=====	=====	=====	=====	=====
<b>Assets and Liabilities</b>						
Assets	22,339,566	5,711,066	16,628,500	24,346,378	16,988,778	7,357,600
Liabilities	507,130	11,377	495,753	713,867	158,070	555,797

**NOTE 24. PARTICULARS OF COMPANIES INCLUDED IN THE CONSOLIDATED ACCOUNTS**

	<b>Equity Holding</b>	
	<b>2009</b>	<b>2008</b>
	%	%
<b>Parent company</b>		
AusTex Oil Limited (incorporated in New South Wales)		
<b>Subsidiaries</b>		
International Energy Corporation (incorporated in Oklahoma)	100	100
International Energy Corporation (Kansas) (incorporated in Kansas)	100	-
Well Enhancement Services LLC (incorporated in Oklahoma)	100	100

**NOTE KEY MANAGEMENT PERSONNEL DISCLOSURES**

25.

- (i) The names of the Directors at any time during the financial year ended 31 March 2009, unless otherwise indicated, were the following:

**Non-Executive Directors      Position**

Dr Peter Power	Non-executive Chairman
Ms Patricia Kay Philip	Non-executive Director
Mr Trevor Sykes	Non-executive Director
Mr B Ganke	Non-executive Director (resigned 18 March 2009)

**Executive Directors Position**

Mr Dan Lanskey	Managing Director
Mr Richard Adrey	Executive Director (International Energy Corporation)
Mr Travis Miller	Executive Director (International Energy Corporation) (resigned 23 March 2009)

- (ii) **Key Management Personnel Compensation**

The key management personnel payments during the year are as follows:

	<b>Consolidated</b>		<b>Parent</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	\$	\$	\$	\$
Consultants' fees	743,100	406,000	234,000	126,000
Directors' fees	175,000	105,000	140,500	105,000

Consultants' fees included final contract payment to Mr T Miller.

The Company has taken advantage of the relief provided by ASIC Class Order 06/05 and has transferred the detailed remuneration disclosures to the Remuneration Report contained within the Directors' Report. Apart from the details disclosed in this Note, no Director has entered into a material contract with the Company since the end of the previous financial year and there were no material contracts involving Directors' interests existing at the year end.

- (iii) **Related party transactions with the Company or its Controlled Entities**

**Company Secretarial and Management Services**

Under an agreement dated 26 June 2007, Longreach Oil Ltd provided AusTex Oil with company secretarial services and general accounting and administration services in Australia. These services included preparation and lodgement of all relevant ASIC and ASX information, financial statements, and reception and administrative duties. Longreach Oil Ltd was paid \$158,400 in consideration of the provision of these services. The agreement will terminate on 30 September 2009.

- (iv) **Guarantee and loans**

The Company has provided a guarantee for \$1 million to the Australia and New Zealand Bank on behalf of Southern Cross Exploration N L of which Boris Ganke is Chairman. The Company has also loaned \$150,000 to Southern Cross Exploration N L and \$250,000 to Chapmans Ltd of which Boris Ganke is Chairman. The loans are interest bearing at 10% p.a. The guarantee is due to expire and the loans are due to be repaid on 19 October 2009.

**NOTE 25. KEY MANAGEMENT PERSONNEL DISCLOSURES (cont'd)**

**(v) Shareholdings of Directors and Executives**

As at 31 March 2009, Directors held the following relevant interests in the company:

	<b>Balance at beginning of year</b>	<b>Net change</b>	<b>Balance at end of year</b>
R A Adrey - direct	3,750,000	-	3,750,000
- indirect	5,400,000	1,608,473	7,008,473
D Lanskey - indirect	1,800,000	1,919,275	3,719,275
P K Philip - direct	250,000	-	250,000
- indirect	-	659,574	659,574
P E Power - indirect	500,000	1,615,657	2,115,657
T Sykes - indirect	400,000	989,361	1,389,361

**NOTE 26. EXPENDITURE COMMITMENTS**

	<b>Consolidated</b>		<b>Parent</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	\$	\$	\$	\$
<b>(a)</b> Key Management personnel commitments under Contracts payable within one year	387,000	471,320	216,000	216,000
<b>(b)</b> Management contracts payable within one year	-	304,000	-	304,000
<b>(c)</b> Rental lease payable within one year	60,000	51,660	-	-

**NOTE 27. SUBSEQUENT EVENTS AFTER BALANCE DATE**

Since the end of the financial year the Directors are not aware of any matter or circumstance not otherwise dealt with within the financial report that has significantly or may significantly affect the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity in subsequent financial years.