

t +61 8 9486 1311 PO box 1779, West Perth, WA 6872  
f +61 8 9486 1011 Suite 4, 16 Ord St, West Perth, WA 6005  
acn 124 941 416 www.odinenergy.com.au



# **ODIN ENERGY LTD**

**ACN 124 941 416**

## **INTERIM REPORT**

**FOR THE HALF YEAR ENDED 31 DECEMBER 2007**

*The information contained in this document should be read in conjunction with Odin Energy Ltd's prospectus dated 19 June 2007 and any public announcements made by the company in accordance with the continuous disclosure obligations arising from the Corporations Act 2001 and the ASX Listing rules.*

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**ODIN ENERGY LTD**  
**ACN 124 941 416**

**DIRECTORS REPORT**

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Your directors present their report for the consolidated entity consisting of Odin Energy Limited and the entities it controlled at the end of, or during, the period ended 31 December 2007.

**DIRECTORS**

The following persons have been directors of Odin Energy Ltd during the entire period up to and including the date of this report.

Alex Bajada	(Chairman)
Andrew Dimsey	(Managing Director)
Anthony Short	(Director)

**PRINCIPLE ACTIVITIES**

Odin Energy Ltd was incorporated on 20 March 2007, and controls one wholly-owned operating subsidiary, Glory Run Pty Ltd, which was incorporated on 25 September 2007. The principal activity of the Group and Company during this initial financial period was the exploration for oil and gas in Australia in the Cooper Basin in South Australia.

**OPERATING RESULTS**

The net operating loss of the Group for the half year ended 31 December 2007 after income tax amounted to \$572,000 (no comparative period).

**DIVIDENDS PAID OR RECOMMENDED**

No dividend was paid or declared during the period and the Directors do not recommend the payment of a dividend.

**REVIEW OF OPERATIONS**

**Corporate**

Odin Energy (ODN) lodged a prospectus with ASIC on 19 June 2007. Following a successful capital raising of \$12 million, pursuant to this prospectus, the Company listed on 5 September 2007 on the Australian Securities Exchange. On 5 September 2007 it also announced a rights issue of one option for every two shares held and a placement of an additional 51.5 million options to sophisticated investors, subject to shareholder approval. The issue price was 1 cent per option, and the options are exercisable at 25 cents each on or before 30 November 2012. The prospectus for the non-renounceable rights issue and placement of options was lodged on 25 September 2007. The combined issue and placement raised a further \$1.054 million in working capital.

During November 2007 the Company's recently incorporated, wholly owned subsidiary Glory Run Pty Ltd began acquiring shares in Victoria Petroleum NL ("VPE") and at the date of this report had acquired in excess of 46 million shares, representing an interest in the order of 16.91%. This acquisition came about following a review of the acreage, opportunities and synergies in exploration and development available in the Cooper Basin, in South Australia. As it is now the largest shareholder in VPE and the current board is unwilling to recognise this with board representation, the Company has requisitioned a general meeting of VPE shareholders, convened for 27 March 2008, to gain board representation.

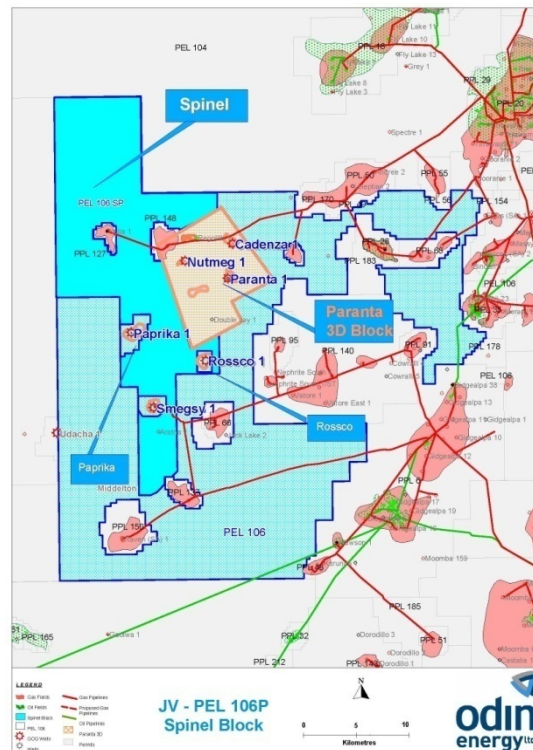
## Exploration and Development

### Spinel Block PEL 106 Cooper Basin (earning 25% interest)

Under a Heads of Agreement dated 8 August 2006, an Amending Heads Of Agreement dated 30 April 2007 and a Farm-in Agreement for the Spinel Block of Petroleum Exploration Licence 106 dated 17 May 2007, Odin Energy Limited may earn a 25% working interest in the Spinel 3D area by paying for the acquisition of the Spinel 3D Seismic Survey and 50% of the drilling of four wells.

The Spinel 3D Seismic Survey area, (see attached map), is the largest on-shore 3D survey undertaken in Australia and data collection commenced in November 2006 and processing and interpretation is currently still being undertaken.

Odin Energy has contributed costs for the Spinel 3D Seismic Survey of \$4.5 million.



The aim of the Spinel 3D Seismic Survey, the largest onshore 3D exploration seismic survey in Australia, is to evaluate the leads and prospects identified in earlier work programs and studies to confirm the best drilling locations. The survey work undertaken has generated significant data that is now being assessed and interpreted. The Operator, Great Artesian Oil and Gas Limited, believes that the final interpretation will be ready for evaluation in the June quarter. The interpretation and evaluation of the large amount of data acquired in the Spinel 3D Seismic Survey over the Spinel Block is critical to identifying the drilling locations with the highest potential.

### Opportunities

The Company is reviewing and evaluating a number of opportunities in the Cooper Basin which would extend its interests in similar projects with technical similarities to the Spinel Block. The process of collection and evaluation of data is ongoing.

## **LIKELY DEVELOPMENTS**

At the date of this report, the directors are resolved to continue considering appropriate additional property and investment transactions in line with the Company's stated objectives.

## **SIGNIFICANT EVENTS AFTER BALANCE DATE**

At 31 December 2007 the Group held 4.4 million shares in Victoria Petroleum NL, representing a 1.6% interest in the total issued capital. Subsequent to the period end the Group has acquired a further 42 million shares, and now holds a 16.91% interest in the total issued capital of Victoria Petroleum NL. A general meeting of shareholders of Victoria Petroleum NL has been requisitioned for 27 March 2008, at which time the Group, as the single largest shareholder in Victoria Petroleum NL, will seek board representation.

## **AUDITOR'S INDEPENDENCE DECLARATION**

Section 307C of the Corporations Act 2001 requires the consolidated entity's auditors, BDO Kendalls Audit & Assurance (WA) Pty Ltd to provide the directors with a written Independence Declaration in relation to their review of the financial report for the period ended 31 December 2007. The written Auditor's Independence Declaration is attached to the Auditor's Independent Review Report to the members and forms part of this Director's Report.

## **ROUNDING OF AMOUNTS**

The company is of a kind referred in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the directors' report. Amounts in the directors' report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

Signed in accordance with a resolution of the Directors.

A handwritten signature in black ink, appearing to read 'A BAJADA', with a horizontal line underneath it.

**A BAJADA**  
Chairman

Perth, 13 March 2008



BDO Kendalls

BDO Kendalls Audit & Assurance (WA) Pty Ltd  
128 Hay Street  
SUBIACO WA 6008  
PO Box 700  
WEST PERTH WA 6872  
Phone 61 8 9380 8400  
Fax 61 8 9380 8499  
aa.perth@bdo.com.au  
www.bdo.com.au

ABN 79 112 284 787

12 March 2008

The Directors  
Odin Energy Limited  
PO Box 1779  
WEST PERTH WA 6872

Dear Sirs

**DECLARATION OF INDEPENDENCE BY BDO KENDALLS TO THE DIRECTORS OF ODIN ENERGY LIMITED**

As lead auditor of Odin Energy Limited for the period ended 31 December 2007, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- any applicable code of professional conduct in relation to the review.

This declaration is in respect of Advance Energy Limited and the entities it controlled during the period.

Yours faithfully

**BDO Kendalls Audit & Assurance (WA) Pty Ltd**

BDO Kendalls  
Glyn O'Brien

**Glyn O'Brien**  
Director

**ODIN ENERGY LTD**  
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**CONSOLIDATED INCOME STATEMENT**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2007**

	Notes	<b>Half Year ended</b> <b>31 December 2007</b> <b>\$'000</b>
Revenue from continuing operations		-
Administration		(381)
Consulting		(416)
Depreciation		(1)
		-
<b>Operating result before interest and tax</b>		<b>(798)</b>
Net finance charges		
Finance charges earned		228
Finance costs		(2)
		226
<b>Loss before tax</b>		<b>(572)</b>
Income tax benefit/(expense)		-
		-
<b>Net loss for the year attributable to the ordinary shareholders of the Company</b>		<b>(572)</b>
		-
<b>Loss per share</b>		
Basic (cents per share)	<b>6</b>	(0.6)
		-

*The Consolidated Income Statement above should be read in conjunction with the condensed notes to the Interim Report.*

**ODIN ENERGY LTD**  
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**CONSOLIDATED BALANCE SHEET**  
AS AT 31 DECEMBER 2007

	Notes	31 December 2007 \$'000	30 June 2007 \$'000
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents		9,172	656
Trade and Other Receivables		293	43
<b>Total current assets</b>		<u>9,465</u>	<u>699</u>
<b>Non current Assets</b>			
Available for Sale Financial Assets	7	503	-
Equipment		4	3
Exploration and Evaluation costs	8	4,476	2,000
<b>Total non current assets</b>		<u>4,983</u>	<u>2,003</u>
<b>Total Assets</b>		<u>14,448</u>	<u>2,702</u>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and Other Payables		45	55
<b>Total current liabilities</b>		<u>45</u>	<u>55</u>
<b>Total non current liabilities</b>		<u>-</u>	<u>-</u>
<b>Total Liabilities</b>		<u>45</u>	<u>55</u>
<b>Net Assets</b>		<u>14,403</u>	<u>2,647</u>
<b>Equity</b>			
Contributed Equity	9	13,969	3,006
Reserves	9	1,365	-
Accumulated losses		(931)	(359)
<b>Total Equity</b>		<u>14,403</u>	<u>2,647</u>

*The Consolidated Balance Sheets above should be read in conjunction with the condensed notes to the Interim Report.*

**ODIN ENERGY LTD**  
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**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2007**

**For the half year ended 31 December 2007**

\$'000	Issued Capital	Option Reserve	Retained Earnings	<b>TOTAL</b>
Balance at beginning of the half year	3,006	-	(359)	<b>2,647</b>
Issues of Share Capital	12,020	-	-	<b>12,020</b>
Issues of Options	-	1,054	-	<b>1,054</b>
Capital raising costs	(1,057)	-	-	<b>(1,057)</b>
Cost of share and option based payments	-	311	-	<b>311</b>
Loss for period	-	-	(572)	-
Total recognised income and expenditure for the period	-	-	(572)	<b>(572)</b>
<b>Total Equity at the end of the half year</b>	<b>13,969</b>	<b>1,365</b>	<b>(931)</b>	<b>14,403</b>

**For the period ended 30 June 2007**

\$'000	Issued Capital	Option Reserve	Retained Earnings	<b>TOTAL</b>
Balance at beginning of the period (being the date of incorporation)	-	-	-	-
Issues of Share Capital	3,204	-	-	<b>3,204</b>
Issues of Options	-	-	-	-
Capital raising costs	(198)	-	-	<b>(198)</b>
Cost of share and option based payments	-	-	-	-
Loss for period	-	-	(359)	-
Total recognised income and expenditure for the period	-	-	(359)	<b>(359)</b>
<b>Total Equity at the end of the period</b>	<b>3,006</b>	<b>-</b>	<b>(359)</b>	<b>2,647</b>

*The Consolidated Statement of Changes in Equity above should be read in conjunction with the condensed notes to the Interim Report.*

**ODIN ENERGY LTD**  
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**CONSOLIDATED CASH FLOW STATEMENT**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2007**

	<b>Half Year ended</b> <b>31 December 2007</b> <b>\$'000</b>
<b>Cash flows from operating activities</b>	
Receipts from customers	-
Payments to suppliers and staff	(1,058)
Interest received	228
Interest and borrowing costs	(2)
	<hr/>
Net cash (used in) operating activities	(832)
	<hr/>
<b>Cash flows from investing activities</b>	
Payments for available for sale financial assets	(503)
Purchase of plant and equipment	(1)
Exploration expenditure	(2,476)
	<hr/>
Net cash (used in) investing activities	(2,980)
	<hr/>
<b>Cash flows from financing activities</b>	
Proceeds from issues of shares	12,020
Capital raising costs	(746)
Proceeds from issues of options	1,054
	<hr/>
Net cash flows provided by financing activities	12,328
	<hr/>
Net increase in cash and cash equivalents	8,516
Cash and cash equivalents at the beginning of the financial period	656
	<hr/>
Cash and cash equivalents at the end of the financial period	9,172
	<hr/>

*The above Consolidated Cashflow Statement should be read in conjunction with the condensed notes to the Interim Report.*

**ODIN ENERGY LTD**  
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**CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL REPORT**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2007**

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**1. REPORTING ENTITY**

Odin Energy Limited (“Odin”) is a company domiciled in Australia. The consolidated interim financial report of the Company as at and for the half year ended 31 December 2007 comprises Odin and its wholly owned subsidiary, Glory Run Pty Ltd (together referred to as the “consolidated entity”).

**2. BASIS OF PREPERATION**

The consolidated interim financial report is a general purpose financial report which has been prepared in accordance with AASB 134: *Interim Financial Reporting* and the *Corporations Act 2001*.

The consolidated interim financial report does not include all of the notes and information normally included in an annual financial report. This report should be read in conjunction with the Company’s prospectus dated 19 June 2007 and any public announcements made during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001* and the *ASX Listing Rules*.

*i) Historical cost convention*

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and liabilities (including derivative instruments at fair value through profit or loss, certain classes of property, plant and equipment and investment property).

*ii) Critical accounting estimates*

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

*iv) Comparative Figures*

As the company was incorporated on 20 March 2007, the half year ended 31 December 2007 was the company’s first reporting period and no comparative figures have been reflected.

This consolidated interim financial report was approved by the Board of Directors on 13 March 2008.

**3. SIGNIFICANT ACCOUNTING POLICIES**

The principal accounting policies adopted in the preparation of this interim financial report are set out below.

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**CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL REPORT**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2007**

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(a) **Segment reporting**

A business segment is a Company of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different from those of segments operating in other economic environments. As the company has only one project no differing segments have been identified or reported on.

(b) **Revenue recognition**

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

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and amounts collected on behalf of third parties. Revenue is recognised as follows:

*(i) Interest income*

Interest income is recognised on a time proportion basis using the effective interest method. When a receivable is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income.

*(ii) Oil and Gas revenue*

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

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.

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**CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL REPORT**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2007**

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**(c) Trade and other receivables**

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Trade receivables are due for settlement between thirty(30) and ninety (90) days from the date of recognition.

Collectibility of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial. The amount of the provision is recognised in the income statement.

**(d) Property, Plant and Equipment**

*i) Plant and equipment*

Plant and equipment is stated at cost less accumulated depreciation and any accumulated losses from impairment.

*ii) Depreciation*

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset which is estimated to vary between 5 and 15 years

*iii) Impairment*

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

If any indication of impairment exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses are recognised separately in the income statement.

Any item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

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**CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL REPORT**  
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Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the year the item is derecognised.

**(e) Investments and other financial assets**

The Group classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

*(i) Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss are financial assets held for trading which are acquired principally for the purpose of selling in the short term with the intention of making a profit. Derivatives are also categorised as held for trading unless they are designated as hedges.

*(ii) Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are included in receivables in the balance sheet.

*(iii) Available-for-sale financial assets*

Available-for-sale financial assets, comprising listed and unlisted equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within twelve (12) months of the balance sheet date.

Regular purchases and sales of investments are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expenses in the income statement. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Available-for-sale financial assets and financial assets at fair value through profit and loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Gains or losses arising from changes in the fair value of the ‘financial assets at fair value through profit or loss’ category, including interest and dividend income, are presented in the income statement within other income or other expenses in the period in which they arise.

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**CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL REPORT**  
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Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences are recognised in profit or loss and other changes in carrying amount are recognised in equity. Changes in the fair value of other monetary and non-monetary securities classified as available-for-sale are recognised in equity.

When securities classified as available-for sale are impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as gains and losses from investment securities.

The Group assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered in determining whether the security is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss- measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit and loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments classified as available-for-sale are not reversed through the income statement.

**(f) Exploration, evaluation and development expenditure**

Exploration, evaluation and development expenditure incurred is either written off as incurred or accumulated in respect of each identifiable area of interest. Costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against profit in the period in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

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.

Restoration, rehabilitation and environmental costs necessitated by exploration and evaluation activities are expensed as incurred and treated as exploration and evaluation expenditure.

**(g) Fair Value estimation**

At each reporting date, the Company assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Company makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

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**CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL REPORT**  
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The fair value of financial assets and financial liabilities must be estimated for recognition and measured or for disclosure purposes.

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Company is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The fair value of financial instruments that are not traded in an active market (for example convertible notes) is determined using valuation techniques. The Company uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held.

Other techniques such as estimated discounted cash flows, are used to determine fair value for remaining financial instruments.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments.

**(h) Trade and other payables**

These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year, which remain unpaid at year end. The amounts are unsecured and are usually paid within 60 days of recognition.

**(i) Share Based Payments**

The Company provides benefits to employees (including directors) of the Company in the form of share-based payment transactions, 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 at the date at which they are granted. The fair value is determined by an external valuer using the Black & Scholes method.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than those specified in the Terms and Conditions of the Convertible Preference Shares.

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

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The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of awards that, in the opinion of the directors of the Company, will ultimately vest. This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

**(j) 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.

**(k) Income Tax**

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases or assets and 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;
- In respect of taxable temporary differences associated with investments in subsidiaries; and
- 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.

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**CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL REPORT**  
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Deferred income tax assets are recognised for all deductible temporary differences, 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 the taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests and 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 extent that it is probable that 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.

**(l) Goods and Services Tax (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 authorities, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of an item 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 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.

**(m) Contributed Equity**

Issued and paid up capital is recognised at the fair value of the consideration received by the company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction, net of tax, of the share proceeds received.

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(n) **Earnings per share**

*(i) Basic earnings per share*

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

*(ii) Diluted earnings per share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(o) **Rounding of amounts**

The Company is of a kind referred to in Class order 98/0100, issued by the Australian Securities and Investments Commission, relating to the “rounding off” of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

(p) **Comparative figures**

As December 2007 is the Company’s first reporting period, no comparative figures have been reflected.

(q) **New accounting standards and interpretations**

During the half-year ended 31 December 2007, the company has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2007. It has been determined by the company that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to company accounting policies.

**4. ESTIMATES**

The preparation of the interim financial report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing this consolidated interim financial report the significant judgements made by management in applying the consolidated entity’s accounting policies and the key sources of estimation uncertainty are the same as those that will be applied to the consolidated financial report for the period ended 30 June 2008.

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*(i) Estimated impairment*

The Group tests annually whether oil and gas properties have suffered any impairment, in accordance with the accounting policy stated in note 3 (g). The recoverable amounts of cash generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions. Some of these assumptions may be amended in the future and this may lead to the subsequent impairment of the assets concerned.

*(ii) Exploration expenditure*

Expenditure and development expenditure that does not form part of the cash generating units assessed for impairment has been carried forward on the basis that exploration and evaluation activities have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active and significant operations in relation to the area are continuing. In the event that significant operations cease and/or economically recoverable reserves are not assessed as being present, this expenditure will be expensed to the Income Statement.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

**5. SEGMENT INFORMATION**

The Group operates within the oil and gas sector, within Australia. No further segment information is provided.

**6. EARNINGS PER SHARE**

	<b>Half Year ended 31 December 2007 \$'000</b>
<b>Reconciliation of earnings to net loss</b>	
Net loss	(572)
Earnings/(loss) used in the calculation of basic and dilutive EPS	(572)
Weighted average number of ordinary shares outstanding during the period used in calculation of basic and dilutive EPS	Number 89,677,005

Details of any shares issued are included under notes 9. Dilutive EPS is not reflected as it would result in the reduction of the loss per share.

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**7. AVAILABLE FOR SALE FINANCIAL ASSETS**

	<b>GROUP</b>	
	<b>December 2007 \$'000</b>	<b>June 2007 \$'000</b>
Non-Current		
Investment in Listed Securities-at cost	503	-

During November and December 2007 the Group acquired 4.4 million shares in Victoria Petroleum NL. Refer to note 10(b) for further information.

**8. EXPLORATION & EVALUATION COSTS**

	<b>GROUP</b>	
	<b>December 2007 \$'000</b>	<b>June 2007 \$'000</b>
Non-Current		
Exploration, evaluation and development costs carried forward in respect of areas of interest in exploration and evaluation phases	4,476	2,000
Reconciled as follows:		
Opening balance	2,000	-
Expenditure in half year/period	2,476	2,000
Closing Balance	4,476	2,000

The ultimate recoupment of these costs is dependent on successful development and commercial exploitation, or alternatively, the sale of the respective areas.

**9. EQUITY SECURITIES ISSUED**

The movements in Ordinary Shares during the period ended 31 December 2007 were as follows:

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**9.1 Ordinary shares**

	<b>GROUP</b>
	<b>2007</b>
	<b>\$'000</b>
On incorporation-5 shares	-
<b>Other movements in shares on issue</b>	
<b>Period ended 30 June 2007</b>	
Shares issued during the period	2
23,000,000 shares issued @ \$0.0001	450
5,625,000 shares issued @ \$0.08	2,753
27,525,000 shares issued @ \$0.10¢	3,205
Less capital raising costs	(198)
	3,006
<b>Half Year ended 31 December 2007</b>	
48,080,000 @ \$0.25¢	12,020
Converting 3,500 Preference Shares into 3,500,000 ordinary shares	-
Less capital raising costs	(1,057)
<b>As at 31 December 2007</b>	<b>13,969</b>

- (a) Effective 1 July 1998 the Corporations Legislation in place abolished the concepts of authorised capital and par value of shares. Accordingly the Parent does not have authorised capital or par value in respect of issued shares.
- (b) Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held.
- (c) At shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

**9.2 Options**

The movements in options over ordinary shares during the half year ended 31 December 2007 were as follows:

**2007**

Expiry Date	Exercise Price	Number at beginning of half year	Issued	Number at end of half year
30 November 2012	\$0.25	-	105,364,999	106,364,999
31 December 2012	\$0.25	-	1,000,000	1,000,000
30 November 2012	\$0.50	-	1,000,000	1,000,000
		-	107,364,999	107,364,999

No options have been exercised, have expired or have been cancelled since incorporation. For further information regarding the above listed options please refer the company's prospectus dated 19 June 2007.

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**9.3 Converting Preference Shares**

All convertible preference shares were issued during the period ended 31 December 2007.  
The movements in Converting Preference Shares during the period were as follows:

<b>2007 Class</b>	<b>No. at beginning of period</b>	<b>Issued</b>	<b>Converted into ords</b>	<b>No. at end of period</b>
CPS - A	-	3,500	(3,500)	-
CPS - B	-	3,500	-	3,500
CPS - C	-	3,500	-	3,500
CPS - D	-	3,500	-	3,500
	-	14,000	(3,500)	10,500

Each Converting Preference Share (CPS) converts into 1,000 ordinary shares as follows:  
 CPS-A – upon the Company’s shares being listed on the main board of the ASX; these were converted into ordinary shares on date of listing, being 5 September 2007.  
 CPS-B – upon completion of the first well in which the Company participates  
 CPS-C – upon the Company proving up reserves of 2 Bcfe  
 CPS-D – upon the Company proving up reserves of 4 Bcfe

**10. RELATED PARTY TRANSACTIONS**

**(a) Transactions with related parties**

Alex Bajada and Anthony Short, directors of Odin Energy Ltd, are also directors of Advance Energy Ltd. As such it could be deemed that they can exercise significant influence over the financial or operating policies of both Odin Energy Ltd and Advance Energy Ltd. During the half year ended 31 December 2007 Advance recharged Odin, at cost, \$104,000 for office and secretarial services, and for travel and accommodation costs. At 31 December 2007 Odin owed Advance \$5,000 pursuant to these charges.

During the half year Odin also prepaid Advance \$250,000 to secure US consulting services that it intends to use during 2008 from Advance’s wholly owned subsidiary, Advance Exploration and Production, Inc. As at 31 December 2007 this has been disclosed under Trade and Other Receivables.

Details of consulting fees paid to directors or their related entities, including amounts accrued but unpaid at the end of the half year are as follows:

<b>Specified Director/Officer</b>	<b>Transaction</b>	<b>Note</b>	<b>31 December 2007 \$'000</b>	<b>30 June 2007 \$'000</b>
Alex Bajada	Consulting fees	(i)	88	68
Anthony Short	Consulting fees	(ii)	58	84
Andrew Dimsey	Consulting fees	(iii)	137	68
Lance Camacho	Consulting fees	(iv)	51	28

**CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL REPORT  
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- (i) The Company used the management consulting services of Spartan Nominees Pty Ltd, a company of which Mr Alex Bajada is a director.
- (ii) The Company used the consulting services of Cumberland Investments (WA) Pty Ltd, a company of which Mr Anthony Short is a director.
- (iii) The Company used the consulting services of Phoenix Mining Services Pty Ltd, a company of which Mr Andrew Dimsey is a related party.
- (iv) The Company used the consulting services of Mr Lance Camacho.

Amounts were billed based on normal market rates for such services and were due and payable under normal payment terms.

Spartan Nominees Pty Ltd, a company of whom Mr Alex Bajada is a director, provided administration personnel to the Company which was reimbursed at cost. The amount reimbursed for the half year was \$1,511.

**(b) Wholly owned group transactions**

On 25 September 2007 Odin Energy Ltd incorporated Glory Run Pty Ltd as a wholly owned subsidiary. At 31 December 2007 Glory Run owed Odin \$503,000, principally for intercompany loan funds to acquire shares in Victoria Petroleum NL. This inter company loan bears no interest, is unsecured and is repayable upon reasonable notice.

**(c) Share and Option holdings**

The interests of the Directors in shares, Convertible Preference Shares ("CPS") and options of the Company as at 31 December 2007 were:

Director		No. of Shares Held Directly	No. of Shares Held Indirectly	No. of Options Held Directly.	No. of Options Held Indirectly	No. of CPS Held Directly	No. of CPS Held Indirectly
Alex Bajada	2007	-	5,875,001	-	1,937,500	-	2,625
Anthony Short	2007	-	7,375,000	-	3,687,500	-	2,625
Andrew Dimsey	2007	-	2,501,001	-	1,250,000	-	1,500

**11. JOINT VENTURE OPERATIONS**

The Company has entered into a farm-in agreement with Kompliment Pty Ltd (a subsidiary of Blue Energy Limited) ("Kompliment") and Blue Energy Limited. Under a Heads of Agreement dated 8 August 2006, an Amending Heads Of Agreement dated 30 April 2007 and a Farm-in Agreement for Spinel Block of Petroleum Exploration Licence 106 dated 17 May 2007, Odin Energy Limited will earn a 25% WI in the Spinel 3D area by paying for the acquisition of the Spinel 3D survey and 50% of the drilling of four wells.

CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL REPORT  
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The full costs for the Spinel 3D Seismic Survey is \$4.476 million and has been paid at year end. Examination and interpretation of the survey is currently underway. The cost of a typical exploration well completed and tested for production is \$3.7 to 4 million each with a dry hole cost estimated at \$2.5 million. Odin is required to pay 50% of the cost of four wells. Odin's exploration expenditure to earn a 25% interest in the Spinel Block of Petroleum Exploration Licence 106 is expected to be approximately \$12 million.

Readers are referred to the Company's prospectus dated 19 June 2007 for full details of the venture.

**12. CONTINGENT ASSETS AND LIABILITIES**

There were no contingent assets or liabilities as at 31 December 2007.

**13. COMMITMENTS**

There were no commitments as at 31 December 2007.

**14. EVENTS SUBSEQUENT TO BALANCE DATE**

At 31 December 2007 the Group held 4.4 million shares in Victoria Petroleum NL, representing a 1.6% interest in the total issued capital. Subsequent to the period end the Group has acquired a further 42 million shares, and now holds a 16.91% interest in the total issued capital of Victoria Petroleum NL. A general meeting of shareholders has been requisitioned for 27 March 2008, at which time the Group, as the single largest shareholder in Victoria Petroleum NL, will seek board representation.

**15. DIVIDENDS**

No dividends were paid or declared during the period.

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**DIRECTORS DECLARATION**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2007**

In the opinion of the directors of Odin Energy Limited (“the Company”):

1. the financial statements and notes set out on pages 7 to 25, are in accordance with the Corporations Act 2001 including:
  - (a) giving a true and fair view of the financial position of the consolidated entity as at 31 December 2007 and of its performance, as represented by the results of its operations and cash flows for the period ended on that date; and
  - (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.



.....  
Alex Bajada  
Director

Dated at PERTH this 13<sup>th</sup> day of March 2008.



## **INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF ODIN ENERGY LIMITED.**

### **Report on the Interim Financial Report**

We have reviewed the accompanying interim financial report of Odin Energy Limited, which comprises the condensed balance sheet as at 31 December 2007, and the condensed income statement, condensed statement of changes in equity and condensed cash flow statement for the period ended on that date, a description of accounting policies, other selected explanatory notes and the directors' declaration.

### ***Directors' Responsibility for the Interim Financial Report***

The directors of the disclosing entity are responsible for the preparation and fair presentation of the interim financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the interim 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.

### ***Auditor's Responsibility***

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the disclosing entity's financial position as at 30 June 2007 and its performance for the period ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Advance Energy Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of Odin Energy Limited on 31 December 2007, would be in the same terms if provided to the directors as at the date of this auditor's review report.

## Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Odin Energy Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2007 and of its performance for the period ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and Corporations Regulations 2001.

**BDO Kendalls Audit & Assurance (WA) Pty Ltd.**

BDO Kendalls  
Glyn O'Brien

**Glyn O'Brien**  
Director

Perth, Western Australia  
Dated this 12<sup>th</sup> day of March 2008