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ODIN ENERGY LIMITED

INTERIM REPORT

FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

THE INFORMATION CONTAINED IN THIS DOCUMENT SHOULD BE READ IN CONJUNCTION WITH ODIN ENERGY LTD'S FULL YEAR REPORT DATED 30 JUNE 2010 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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DIRECTORS' REPORT

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 2010.

DIRECTORS

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

Alex Bajada	(Chairman)
Roland Berzins	(Director)
David Ballantyne	(Director)

PRINCIPAL ACTIVITIES

The principal activity of the Company during this financial period was the exploration for, and development and production of, oil and gas.

OPERATING RESULTS

The net operating loss of the Group for the half-year ended 31 December 2010 after income tax amounted to \$304,592 (\$323,840 - 2009).

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

Legal Action

Odin Energy is continuing its legal action against Blue Energy Ltd and Great Artesian Oil and Gas Ltd (a subsidiary of Drillsearch Energy Ltd).

Repayment of Debt

During the half year, Kilgore Oil and Gas Ltd ("Kilgore") repaid \$1m of its loan from Odin. At the end of the period, the Kilgore group loan balance was \$258,407.

Exploration and Development

Galveston 307 Prospect (Snipe, Egret and Sandpiper), Texas State Waters (WI 5.625% NRI 4.5%)

The Galveston 307 field was connected and began producing in July 2010. The project produced 2,440 MCF and 15 barrels of condensate net to Odin before being shut in on 17th August due to scheduled maintenance on the American Midstream pipeline into which the Galveston production pipeline flows. Production re-commenced on 1st November 2010 and it is anticipated that the gross maintainable production profile for this project will be in the order of 8,000 mcfpd.

Opportunities

The Company is evaluating a number of opportunities both within Australia and overseas.

SIGNIFICANT EVENTS AFTER BALANCE DATE

There were no significant events after the balance date.

AUDITOR'S INDEPENDENCE DECLARATION

Section 307C of the Corporations Act 2001 requires the consolidated entity's auditors, BDO Audit (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 2010. The written Auditor's Independence Declaration can be found on page 3 and forms part of this Director's Report.

Signed in accordance with a resolution of the Directors.



A BAJADA
Chairman
Perth, 16 March 2011

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16 March 2011

The Directors
Odin Energy Limited
Level 1, 16 Ord Street
WEST PERTH WA 6005

DECLARATION OF INDEPENDENCE BY GLYN O'BRIEN TO THE DIRECTORS OF ODIN ENERGY LIMITED

As lead auditor for the review of Odin Energy Limited for the half-year ended 31 December 2010, 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
- no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Odin Energy Limited and the entity it controlled during the period.



Glyn O'Brien
Director



BDO Audit (WA) Pty Ltd
Perth, Western Australia

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**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2010**

	Notes	Half-Year ended 31 December 2010 \$	Half-Year ended 31 December 2009 \$
Interest received		250,341	278,098
Profit on sale of investment		41,160	412,165
Total income		291,501	690,263
Accounting and audit		(23,199)	(13,332)
Depreciation		(1,152)	(1,016)
Consultancy		(132,261)	(416,656)
Legal expenses		(229,257)	(69,943)
Marketing and advertising		-	(1,203)
Regulatory expenses		(17,151)	(28,024)
Facility Management fees		-	(46,587)
Research reports and maps		-	(10,000)
Travel expenses		(9,176)	(79,442)
Staff costs		-	(36,050)
Share of profits/(losses) of Joint Venture entity accounted for using the equity method	11	-	(99,206)
Administrative expenses		(183,897)	(208,607)
Finance costs		-	(4,037)
Loss before income tax		(304,592)	(323,840)
Income tax benefit/(expense)		-	-
Loss for the half year		(304,592)	(323,840)
Other comprehensive income			
Changes in the fair value of available- for-sale financial assets		608,717	949,936
Total comprehensive income for the half year		304,125	626,096
Loss is attributable to:			
Owners of Odin Energy Limited		(304,592)	(323,840)
Total comprehensive income for the half year is attributable to:			
Owners of Odin Energy Limited		304,125	626,096
Loss per share			
Basic and diluted(cents per share)	7	(0.17)	(0.3)

The Consolidated Statement of Comprehensive Income above should be read in conjunction with the notes to the Half-year financial Statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2010

	Notes	31 December 2010 \$	30 June 2010 \$
ASSETS			
Current Assets			
Cash and Cash Equivalents		1,309,810	1,710,663
Trade and Other Receivables		545,934	276,375
Interest Bearing Loans		516,544	782,881
Investments accounted for using the equity method		-	-
Available for sale assets		1,912,804	1,031,352
Total current assets		4,285,092	3,801,271
Non current Assets			
Other financial assets		1,600,000	1,600,000
Property, plant and equipment		-	1,152
Oil & gas properties	8	2,557,143	2,557,143
Total non current assets		4,157,143	4,158,295
Total Assets		8,442,235	7,959,566
LIABILITIES			
Current Liabilities			
Trade and Other Payables		249,152	235,607
Total current liabilities		249,152	235,607
Total Liabilities		249,152	235,607
Net Assets		8,193,083	7,723,959
Equity			
Contributed Equity	9	14,692,283	14,527,283
Reserves		1,973,856	1,365,138
Accumulated losses		(8,473,056)	(8,168,462)
Total Equity		8,193,083	7,723,959

The Consolidated Statement of Financial Position should be read in conjunction with the notes to the Half-year Financial Statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
For the half year ended 31 December 2010

	Half-Year ended 31 December 2010 \$	Half-Year ended 31 December 2009 \$
Cash flows from operating activities		
Payments to suppliers and employees	(581,396)	(905,757)
Interest received	169,721	243,716
Interest and borrowing costs	-	-
	<hr/>	<hr/>
Net cash (used in) operating activities	(411,675)	(662,041)
Cash flows from investing activities		
Proceeds from sale of available-for-sale investments	115,852	412,751
Purchase of shares	(388,587)	(674,221)
Loans from/(to) other related entities	118,557	861,575
	<hr/>	<hr/>
Net cash provided by/(used in) investing activities	(154,178)	600,105
Cash flows from financing activities		
Proceeds from issues of shares	165,000	-
	<hr/>	<hr/>
Net cash flows provided by financing activities	165,000	-
Net decrease/(increase) in cash and cash equivalents	(400,853)	(61,936)
Cash and cash equivalents at the beginning of the financial period	<hr/> 1,710,663	<hr/> 2,207,212
Cash and cash equivalents at the end of the financial period	<hr/> 1,309,810	<hr/> 2,145,276

The Consolidated Statement of Cash flows should be read in conjunction with the notes to the Half-year Financial Statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED 31 DECEMBER 2010

CONSOLIDATED

For the half-year ended
31 Dec 2010

	Issued Capital \$	Share Base Payment Reserve \$	Option Reserve \$	Available for sale Reserve \$	Accumulated losses \$	TOTAL \$
Balance at the beginning of the period	14,527,283	311,488	1,053,650	-	(8,168,462)	7,723,959
Loss for the period	-	-	-	-	(304,592)	(304,592)
Changes in fair value of available for sale financial assets	-	-	-	608,717	-	608,717
Total comprehensive income for the half year	-	-	-	608,717	(304,592)	304,125
Transactions with equity holders in their capacity as equity holders						
Issue of share capital	165,000	-	-	-	-	165,000
Balance as at 31 December 2010	14,692,283	311,488	1,053,650	608,717	(8,473,056)	8,193,083

For the half-year ended
31 Dec 2009

	Issued Capital \$	Share Base Payment Reserve \$	Option Reserve \$	Available for sale Reserve \$	Accumulated losses \$	TOTAL \$
Balance at the beginning of the period	13,934,982	311,488	1,365,138	141,977	(5,882,295)	9,559,802
Loss for the period	-	-	-	-	(323,840)	(323,840)
Changes in fair value of available for sale financial assets	-	-	-	949,936	-	949,936
Total comprehensive income for the half year	-	-	-	949,936	(323,840)	626,096
Transactions with equity holders in their capacity as equity holders						
Capital raising costs	(22,000)	-	-	-	(374)	(22,374)
Balance at 31 December 2009	13,912,982	311,488	1,365,138	1,091,913	(6,206,509)	10,163,524

The Consolidated Statement of Changes in Equity above should be read in conjunction with the notes to the Half-year Financial Statements.

NOTES TO THE CONSOLIDATED HALF -YEAR FINANCIAL REPORT

1. REPORTING ENTITY

Odin Energy Limited ("Odin") is a company domiciled in Australia. The consolidated half-year financial statements of the Group as at and for the six months ending 31 December 2010 comprises Odin and its subsidiaries (together referred to as the "consolidated entity" or "Group").

The consolidated annual financial statements of the consolidated entity as at and for the year ended 30 June 2010 is available upon request from Odin's website www.odinenergy.com.au, the ASX website or the companies registered office at Suite 2, 16 Ord Street, WEST PERTH, Western Australia 6005.

2. STATEMENT OF COMPLIANCE

The consolidated half year financial statements are general purpose financial statements which have been prepared in accordance with AASB 134: *Interim Financial Reporting* and *the Corporations Act 2001*.

The consolidated half year financial statements do not include all of the notes and information normally included in an annual financial report. Accordingly these statements should be read in conjunction with the consolidated annual financial report for the year ended 30 June 2010 and any public announcements made by Odin Energy Limited during the half-year reporting period in accordance with the continuous disclosure requirements of *the Corporations Act 2001* and the *ASX Listing Rules*.

These consolidated half-year financial statements were approved by the Board of Directors on 16 March 2011.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied by the consolidated entity in this consolidated interim financial report are the same as those applied by the consolidated entity in its consolidated financial report for the year ended 30 June 2010.

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 were the same as those applied to the consolidated financial report for the year ending 30 June 2010.

5. GOING CONCERN

This report has been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

The Directors believe that there is sufficient funding to meet the Company's working capital requirements. The Directors have reviewed the business outlook and are of the opinion that the use of the going concern basis of accounting is appropriate.

6. SEGMENT INFORMATION

Industry Segment – Description of Segments

The consolidated entity operates solely in the exploration and development of oil and gas producing properties. The chief operating decision maker has identified that the Group works in two distinct geographical segments being Texas, USA and Australia.

Half year ended 31 December 2010 Geographical segment	USA \$	Australia \$	Consolidated \$
Revenues from continuing activities	-	291,501	291,501
Segment result (loss)	-	(304,592)	(304,592)
Segment assets	2,557,143	5,885,093	8,442,235
Segment liabilities	-	(249,152)	(249,152)
Half year ended 31 December 2009 Geographical segment	USA \$	Australia \$	Consolidated \$
Revenues from continuing activities	-	690,264	690,264
Segment result (loss)	-	(323,840)	(323,840)
Segment assets	2,557,143	5,402,422	7,959,566
Segment liabilities	-	(235,607)	(235,607)

7. LOSS PER SHARE

	Half-Year ended 31 December 2010 \$	Half-Year ended 31 December 2009 \$
Reconciliation of earnings to net loss		
Net loss	(304,592)	(323,840)
Earnings/(loss) used in the calculation of basic and dilutive EPS	(304,592)	(323,840)
Weighted average number of ordinary shares outstanding during the period used in calculation of basic and dilutive EPS	178,039,486	107,730,005

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

8. OIL AND GAS PROPERTIES

Non-Current

Oil and gas exploration

Reconciled as follows:

Opening balance

Additions during the period

Impairment

Expenditure during the period

Closing Balance

GROUP	
December 2010 \$	June 2010 \$
2,557,143	2,557,143
2,557,143	2,386,282
-	170,861
-	-
-	-
2,557,143	2,557,143

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 2010 were as follows:

9.1 Ordinary shares

Opening balance

16,500,000 shares issued on 03/09/2010

(Capital raising costs)

Closing balance

GROUP	
Dec 2010 \$	Dec 2009 \$
14,527,283	13,934,982
165,000	-
-	(22,000)
14,692,283	13,912,982

9.2 Options

No options have been exercised, have expired or have been cancelled during the period. For further information regarding the listed options please refer to the company's prospectus dated 26 September 2007.

9.3 Converting Preference Shares

All convertible preference shares were issued prior to the half-year ended 31 December 2010. There were no movements in Converting Preference Shares during the period.

10. RELATED PARTY TRANSACTIONS

At 31 December 2010 the company has a Farmin agreement with Kilgore Oil and Gas Limited to the value of \$2,557,143 (30 June 2010: \$2,557,143). At 31 December 2010 The Company has brought \$80,000 in revenue to account.

Odin Energy Limited also has a receivable due from Kilgore Oil and Gas Limited to the value of \$258,407 (30 June 2010: \$782,880). Movements on this loan account during the period are as follows:

	\$
Balance at 30 June 2010:	782,880
Further advances	415,000
Interest charges in the period	57,751
Cash repayments	(1,027,224)
Conversion into shares in Kilgore Oil and Gas Limited	(50,000)
Farmin revenue due	<u>80,000</u>
Balance at 31 December 2009	<u>258,407</u>

This receivable is secured via a fixed and floating charge over the assets of Kilgore Oil and Gas Limited. The balance accrues interest at 12% per annum.

Kilgore Oil and Gas Limited is a related party because Anthony Short, a director of Kilgore Oil and Gas Limited is a former director of Odin Energy Limited and David Ballantyne is Company Secretary of both companies.

At 31 December 2010 the company had a receivable due from Advance Energy Limited to the value of \$348,137 (30 June 2010: \$90,000). Movements on this principal loan amount during the period was as follows:

	\$
Balance at 30 June 2010:	90,000
Movement during the period	<u>258,137</u>
Balance at 31 December 2010	<u>348,137</u>

The Company has invested \$1,600,000 in to Advance listed convertible notes earning interest at 9.5%. The repayment of the amounts due from Kilgore Oil and Gas Ltd and Advance Energy Ltd depend upon their ability to continue on a going concern basis, which contemplates the realisation of assets, the raising of capital, the production of operational cash flows, and the extinguishment of liabilities in the normal course of business. Should this not be the case, there is doubt as to whether the respective companies will be able to repay all of the outstanding amounts in accordance with the terms of the agreements.

Advance Energy Limited is a related party because Alex Bajada is also a Director of Advance Energy Limited and David Ballantyne is Company Secretary of both companies.

AAG Management Pty Ltd is a management company which previously provided facilities, human resources, and other administration and consulting services. From 1 July 2010, GBU Capital Pty Ltd is charging for these services. GBU Capital Pty Ltd is a related party because Alex Bajada is a director of GBU Capital Pty Ltd. During the period GBU Capital has charged \$211,508.

As at 31 December 2010, the receivables from AAG Management are \$130,000 (30 June 2010: \$130,000). During the period no interest has been charged.

At 31 December 2010, the Group had listed investment in the following related parties:

	Fair value at 31 December 2010	Fair value at 30 June 2010
Red Sky Energy Limited*	-	99,808
Red Sky Energy Limited options*	-	8,000
Kilgore Oil and Gas Limited*	828,750	342,549
Kilgore Oil and Gas Limited Options*	26,000	47,000
Advance Energy Limited **	250,632	368,590
Advance Energy Limited Options**	106,142	-
Palace Resources Limited*	304,105	57,083
Palace Resources Limited Options*	14,090	4,697
Excalibur Mining Limited *	135,000	17,810

* Held in Glory Run Pty Ltd, a 100% owned subsidiary of Odin Energy Limited

** \$20,000 of the shares and \$9,333 of options are held by Odin Energy Ltd, with the remaining balance held by Glory Run Pty Ltd.

Palace Resources Ltd is a related party as Roland Berzins is a director of Palace and Odin Energy.

Excalibur Mining Ltd is a related party as Alex Bajada is a director of Excalibur and Odin Energy.

Directors fees for the period amounted to:

	To 31 December 2010	To 31 December 2009
	\$	\$
A Bajada	75,000	75,000
Andrew Dimsey	-	124,998
David Ballantyne	17,600	-
Roland Berzins	18,833	47,500
	<u>110,933</u>	<u>259,767</u>

At the end of the half-year the following amounts were owed to subsidiaries:

Entity	Amount Owed	Relationship
Glory Run Pty Ltd	\$167,070	A wholly owned subsidiary.

11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

As at 31 December 2010, the investment in the associate is not brought to account, as the Company's shares of losses exceeds its interest in the associate and as such these further losses are not recognised.

12. CONTINGENT ASSETS AND LIABILITIES

At the end of the period the Company was still involved in legal action against Blue Energy Ltd. A former farm-in agreement was made 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. The Company was to 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. The Company believes that there has been a breach of contract under the agreement. In the first half of calendar 2010 the parties entered a mediation process which was terminated during the current half year without resolution. At the date of this report there has been no settlement and the Company continues to pursue Blue Energy Ltd for \$4.5 million plus interest and costs.

Odin has a 50% interest in the Galveston 307 gas project with Kilgore Oil and Gas Ltd ("Kilgore") having invested approximately \$2.5 million into it to date. The Company has been guaranteed a minimum return, from cash flows and ultimate sale of the project, of \$3.25 million by Kilgore.

There were no contingent liabilities as at 31 December 2010. (30 June 2010: Nil)

13. COMMITMENTS

There were no commitments as at 31 December 2010. (30 June 2010: Nil)

14. EVENTS SUBSEQUENT TO BALANCE DATE

There were no events subsequent to balance sheet date.

15. DIVIDENDS

No dividends were paid or declared during the period.

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**DIRECTORS DECLARATION
FOR THE HALF-YEAR ENDED 31 DECEMBER 2010**

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

1. the financial statements and notes set out on pages 4 to 13, 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 2010 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 16th day of March 2011.

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Odin Energy Limited, which comprises the statement of financial position as at 31 December 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the disclosing entity and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the disclosing entity are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a 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 consolidated entity's financial position as at 31 December 2010 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Odin Energy Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year 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*, which has been given to the directors of Odin Energy Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

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Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year 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 2010 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Emphasis of Matter

Without qualification to our conclusion expressed above, the most recent financial statements of Kilgore Oil and Gas Limited and Advance Energy Limited include in their audit opinions, a material uncertainty regarding the respective companies ability to continue as a going concern and therefore whether they will realise their assets and extinguish their liabilities in the normal course of business and at the amounts stated in the financial report. Should either of the companies not be able to continue as going concerns, there exists a significant uncertainty as to whether the respective companies will be able to repay the outstanding debts (Kilgore Oil and Gas Limited - \$258,407 and Advance Energy Limited - \$1,948,137) in accordance with the terms of the loan agreements and therefore whether Odin Energy Limited will recover the loans at the amounts stated in the financial report.

BDO Audit (WA) Pty Ltd



Glyn O'Brien
Director

Signed in Perth, Western Australia
Dated this 16th day of March 2011