



**VICTORIA PETROLEUM N.L.**

**ABN 50 008 942 827**

**FINANCIAL REPORT**

**FOR THE HALF-YEAR ENDED 31 DECEMBER 2009**

**VICTORIA PETROLEUM N.L.**  
**ABN 50 008 942 827**

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**VICTORIA PETROLEUM N.L.**  
**ABN 50 008 942 827**

**CORPORATE INFORMATION**

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This half-year report covers Victoria Petroleum N.L. ("the Company") and its controlled entities (collectively known as "the Group").

The Group's presentation currency is Australian dollars (\$). The functional currency of the Group is Australian dollars (\$).

The nature of the operations and principal activities of the Group are described in the Directors' Report on page 4.

<b>DIRECTORS:</b>	Denis F Patten John T Kopcheff Robert J Pett Benedict M McKeown
<b>COMPANY SECRETARY:</b>	Denis I Rakich
<b>REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS:</b>	Level 36, Exchange Plaza 2 The Esplanade Perth, Western Australia 6000
<b>TELEPHONE:</b>	+61 (08) 9220 9800
<b>FACSIMILE:</b>	+61 (08) 9220 9801
<b>EMAIL:</b>	admin@vicpet.com.au
<b>WEBSITE:</b>	www.vicpet.com.au
<b>SHARE REGISTER:</b>	Security Transfer Registrars Pty Ltd 770 Canning Highway Applecross, Western Australia 6153 Telephone: +61 (08) 9315 2333 Facsimile: +61 (08) 9315 2233
<b>SECURITIES EXCHANGE:</b>	Australian Securities Exchange (ASX) Code: VPE
<b>SOLICITORS:</b>	Minter Ellison Level 49, Central Park Building 152-158 St. George's Terrace Perth, Western Australia 6000
<b>BANKERS:</b>	Westpac Banking Corporation 109 St. Georges' Terrace Perth, Western Australia 6000
<b>AUDITORS:</b>	Ernst & Young 11 Mounts Bay Road Perth, Western Australia 6000

**DIRECTORS' REPORT**

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Your directors submit their report for the half-year ended 31 December 2009.

**DIRECTORS**

The names of the Company's directors in office during the half-year and until the date of this report are set out below. Directors were in office for this entire period unless otherwise stated.

Denis F Patten (Chairman)

John T Kopcheff (Managing Director)

Robert J Pett (Non-executive Director)

Benedict M McKeown (Non-executive Director)

Neil C Fearis (Alternate Director to John T Kopcheff) Resigned on 19 November 2009

**PRINCIPAL ACTIVITY**

The principal activities during the half-year of entities within the consolidated entity were oil and coal seam gas exploration and production.

**REVIEW AND RESULTS OF OPERATIONS**

***Highlights***

- Victoria Petroleum N.L. ("the Company") and its controlled entities (collectively known as "the Group") have \$24,258,802 cash on hand as at 31 December 2009.
- The Group's revenue for the half-year ended 31 December 2009 was \$7,627,073, an increase of 28% over the \$5,936,512 for the half-year ended 31 December 2008.
- The Group recorded a gross profit of \$4,630,728 for the half-year ended 31 December 2009, an increase of 21% over the \$3,840,695 for the half-year ended 31 December 2008.
- The Group's net profit after tax for the half-year ended 31 December 2009 was \$1,753,058 as compared with a net loss after tax of \$7,207,212 for the half-year ended 31 December 2008.
- The total net oil production to the Group was 78,871 barrels ("bbls") of oil for the 6 months ended 31 December 2009, an increase of 54% over the 51,081 bbls of oil production reported for the 6 months ended 31 December 2008.
- Discovery of the Snatcher Oil Field within PEL 111 following the successful drilling of Snatcher-1, 2 and 3 with all wells encountering oil columns. The Snatcher Oil Field commenced oil production on 20 December 2009 and produced an estimated gross 1,702 bbls of oil, with net production to the Group of 681 bbls of oil.
- Analysis of the Growler Oil Field PRL 15 production data and the Mollichuta 3D seismic resulted in an estimate of proved probable and possible (3P) recoverable oil reserves of 5.8 million bbls.

DIRECTORS' REPORT

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REVIEW AND RESULTS OF OPERATIONS (CONTINUED)

*Highlights (Continued)*

- During the half-year ended 31 December 2009, the Company entered into an agreement with BG International (Aus) Limited Partnership to acquire an additional 20% interest in the Western Margin Oil project permits (PEL 104, PEL 111 & PRL 15), the Mirage & Ventura Oil Fields namely PPL 213 & 214, and PEL 87 & 424. This acquisition increases the Group's interest in the projects from 40% to 60%.
- The Company completed a placement of 40,000,000 ordinary fully paid shares to clients of RBS Morgans Corporate Ltd at 30 cents per share to raise \$12,000,000 before costs and announced a Share Purchase Plan ("SPP") to all eligible shareholders of the Company at an issue price of 30 cents per share. The SPP closed on 15 January 2010 and raised \$10,316,400.
- Subsequent to 31 December 2009, and the exercise of the 31 January 2010 listed options, the Company as at 15 March 2010, has funds totalling \$44,265,886 (excluding cash advanced to jointly controlled operations) to apply to its activities and no debt.

*Development and Production Activity*

- The total gross oil production from the Australian operations over the half-year period was estimated at 278,290 bbls of oil at an average production rate of 1,666 bbls of oil per day ("bopd").
- The total net oil production to the Group was 78,871 bbls for the 6 months ended 31 December 2009.

*Cooper Basin, South Australia / Queensland – PPL 213 & 214 / PRL 15 / PEL 111*  
*Northern Perth Basin, Western Australia – L 14*  
*Surat Basin, Queensland – ATP 608P*

- The Growler Oil Field in PRL15 produced to sales during the half-year an estimated 170,119 bbls of oil at an average combined gross rate of 925 bopd, with net production to the Group of 370 bopd.
- The Snatcher Oil Field in PEL 111 commenced oil production from Snatcher-1 on 20 December 2009 and produced an estimated gross 1,702 bbls of oil, with net production to the Group of 681 bbls of oil.
- The Mirage and Ventura Oil Fields in PPL 213 & 214 produced to sales during the half-year an estimated gross 13,240 bbls of oil at an average combined gross rate of 72 bopd, with net production to the Group of 29 bopd.
- The Jingemia Oil Field L 14 produced to sales during the half-year an estimated gross 92,478 bbls of oil at an average combined gross rate of 503 bopd, with net production to the Group of 25 bopd.
- The Rookwood Oil Field in ATP 608P produced to sales during the half-year an estimated 751 bbls, with net production to the Group of 223 bbls.

DIRECTORS' REPORT

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**REVIEW AND RESULTS OF OPERATIONS (CONTINUED)**

***Development and Production Activity (Continued)***

- The opportunity is now present in the event of the successful planned drilling of the Growler-6 and 7 development wells in May / June 2010, subject to joint venture approval, to increase the field gross production rate to sales to higher rates approaching 1,800 bopd in September / October 2010.
- Development success at Growler-6 and Growler-7 will bring a minimum of 700,000 bbls possible oil reserves into the current 2P category of 1.8 million bbls from the 3P category of 5.8 million bbls.

***Purchase of Interest in ATP 574P, Surat Basin, Queensland***

- On 3 November 2009, the Company entered into a binding agreement with Bow Energy Ltd ("Bow") to purchase all of Bow's interest in ATP 574P located in Queensland Surat Basin. The ATP 574P assets include 3.75% interest in the Walloon Coal Measures shallow area, 63.75% in the non-Walloon Coal Measures intermediate area and 18.75% interest in the non-Walloon Coal Measures bottom area.
- The purchase consideration for the purchase of Bow's interests in ATP 574P was \$8,000,000 in cash, 13,000,000 ordinary fully paid shares in the Company, and the Group's share in Surat Basin tenements ATP 608P (24% in Stratton Block and 30% in Rookwood Block) and ATP 805P (15%). \$8,000,000 was paid on 9 November 2009 to the solicitors' trust account and the Company allotted 13,000,000 ordinary fully paid shares to Bow on 1 February 2010. The shares are subject to voluntary escrow until 2 November 2010.
- The ATP 574P assets acquired from Bow will be used as consideration for the asset swap agreement with BG International (Aus) Limited Partnership as detailed on page 7 of the Directors' Report.
- At 31 December 2009, the permits ATP 608P and ATP 805P were classified as a disposal group classified as held for sale.
- At the date of this report, additional statutory and joint operating agreement documentation is in the process of being prepared as part of the sale procedure, with these documents expected to be completed by June 2010.

DIRECTORS' REPORT

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**REVIEW AND RESULTS OF OPERATIONS (CONTINUED)**

***Development and Production Activity (Continued)***

*Increased Interest from 40% to 60% in the Western Margin Oil Project Permits (PEL 104, PEL 111 & PRL 15), Mirage & Ventura Oil Fields namely PPL 213 & 214 and PEL 87 & 424 in Exchange for ATP 574P Interest*

- On 11 November 2009, the Company entered into an agreement with BG International (Aus) Limited Partnership ("BG") by which the Company will transfer to BG the acquired rights and interests in ATP 574P as referred to on page 6 of the Directors' Report in exchange for the transfer to the Company of Permian Oil Pty Ltd ("Permian"), a subsidiary of BG (Asset Swap).
- Permian's assets comprise of a 20% interest in the Western Margin Oil project permits (PEL 104, PEL 111 & PRL 15), the Mirage & Ventura Oil Fields namely PPL 213 & 214, and PEL 87 & 424. The agreement to acquire Permian will enable the Group to increase its share of oil production from the South Australia Cooper Basin by 50% from a net 40% interest to 60% interest.
- The Company will transfer to BG a 3.75% interest in the Walloon Coal Measures of ATP 574P and varying interests in the underlying sections of the tenement. Following this asset swap, the Company will retain its original 30% interest in the Walloon Coal Measures of ATP 574P and the underlying sequence. The Walloon Coal Measures have the potential to contain up to 1,500 Peta Joules ("PJ") of Coal Seam Gas in ATP 574P.
- The transfer of the Company's interest in ATP 574P to BG is subject to ATP 574P joint venture partner consents, regulatory authority and the Company's shareholders approval.
- At the date of this report, statutory documentation as part of the asset swap procedure is in the process of being prepared and is expected to be completed by June 2010. An Extraordinary General Meeting will be held in April 2010 to seek the approval of the Company's shareholders for the Permian acquisition.

***Sale of Interest in Northern Perth Basin Permit Interests – L 14 & EP 413***

- On 11 February 2010, the Company reached an agreement with Norwest Energy N.L. ("Norwest") to sell its Northern Perth Basin interests to Norwest for a consideration of \$500,000.
- The interests being sold to Norwest are:
  - 5% interest in Jingemia Production Licence L 14; and
  - 5.013% interest in Exploration Permit EP 413.
- The transaction is subject to completion of formal documentation and the relevant documents being approved and registered by the Minister of Mines and Energy by 31 December 2010.
- At 31 December 2009, the permits L14 and EP 413 were classified as a disposal group classified as held for sale.

DIRECTORS' REPORT

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**REVIEW AND RESULTS OF OPERATIONS (CONTINUED)**

***Exploration Activity & Outlook***

*Cooper Basin, South Australia / Queensland*

- Successful 3 well exploration test of Western Margin Oil Trend using 3D seismic to map target Birkhead channel sands with the Snatcher-1, 2 and 3 oil discoveries. Snatcher-3 is 787 metres north of the Snatcher-2 well which is 899 metres north of the Snatcher-1 well and adjacent Santos operated Charo Oil Field production licence.
- Follow up PEL 111 Birkhead channel sand exploration well Liberator-1, 697 metres northwest of Snatcher-3 oil discovery and 2.5 kilometres north of the Charo Oil Field is planned to be drilled in June 2010.
- Preliminary data received in January 2010 from the 3D seismic survey over the Western Margin Oil project permits will define in PEL 104 and PEL 111 the distribution of the productive Birkhead channel sand and associated structures as seen in the Wirraway, Warhawk and Tigercat oil discoveries. Birkhead channel sands have tested at up to 2,040 bopd in the Growler Oil Field.
- Further exploration drilling of up to 5 wells planned to commence in June 2010 in PEL 104 / PRL 15 / PEL 111 on the Growler-Wirraway-Warhawk-Snatcher oil field trend in the northern part of the Western Margin Oil project permits, following interpretation of the 3D seismic data and joint venture approval.
- The first oil discovery in southwest Queensland Cooper Basin permit ATP 752P, Cuisinier-1, is targeted to be placed on production in June 2010.
- Continuing exploration in ATP 752P with interpretation of 300 square kilometre 3D seismic programs ongoing, to determine exploration and appraisal drilling targets for the second half of calendar year 2010 drilling.
- Successful exploration well Fury-1 drilled by farminee Monitor Energy Ltd and Lion Petroleum Pty Ltd in PEL 115. The Company retained a 33% free carried interest. Plan is to tie Fury-1 Murta oil discovery to the Mirage production facilities in May 2010, subject to road access.
- Continued exploration is planned for July 2010 in PEL 115 with the drilling of the Starfighter Prospect, subject to rig availability.

DIRECTORS' REPORT

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**REVIEW AND RESULTS OF OPERATIONS (CONTINUED)**

***Exploration Activity & Outlook (Continued)***

*Surat Basin Coal Seam Gas, Queensland*

- The potential gross Coal Seam Gas ("CSG") in place resource in three permits in Surat Basin, Queensland could be as high as 2,700 PJ with potential net recoverable gas resource to the Group in excess of 540 PJ.
- Don Juan CSG Project 2P certified reserves in ATP 771P are 101 PJ (45 PJ net to the Group) and 3P certified to 197 PJ (89 PJ net to the Group). Operator, Bow, plans a 2 well drilling program in second half of calendar year 2010 in adjacent ATP 593P to extend the Don Juan Project into ATP 593P and increase 3P reserves. Bow advised investigations are underway on monetisation of the Don Juan CSG Field including connection into the nearby Queensland Gas Pipeline which is approximately 15 km east of the field.
- In Surat Basin permit ATP 574P, 4 CSG wells are planned to be drilled in 2010, operated by QGC. During the half-year core holes were drilled in the Pinelands and Peebs project areas, to approximately 600 metres, encountering expected Walloon Coal Measures thickness averaging 30 metres. Aim of this drilling in the Pinelands, Peebs and Marcus CSG projects is to prove up an initial certifiable gross recoverable CSG reserve by end June 2010. The CSG coals in the permit are interpreted to have a potential CSG resource in place of up to 1,500 PJ.
- In Petroleum Lease 171, adjacent to ATP 574P, the operator, QGC, has planned for 7 wells to be drilled in 2010. The QGC drilling program is part of ongoing drilling program on the Paradise Downs, Carla and Lawton CSG projects to assess the in place CSG resource of up to 1,000 PJ.

DIRECTORS' REPORT

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**REVIEW AND RESULTS OF OPERATIONS (CONTINUED)**

**Corporate**

*Disposal of Victoria Petroleum USA, Inc.*

- On 12 August 2009, the Company entered into a sale agreement with R&M Oil and Gas, LLLP to dispose of the Company's subsidiary, Victoria Petroleum USA, Inc. The date of control of the business passed to the acquirer on that date. As at 30 June 2009, the assets and liabilities of Victoria Petroleum USA, Inc were classified as a disposal group held for sale. The Company received the sale proceeds of \$300,000 from the acquirer in September 2009.

*Capital Raising*

- On 4 December 2009, the Company completed a placement of 40,000,000 ordinary fully paid shares to clients of RBS Morgans Corporate Ltd ("RBS Morgans") at 30 cents per share to raise \$12,000,000 before costs.
- On the same day, a Share Purchase Plan ("SPP") was offered to all eligible shareholders of the Company at an issue price of 30 cents per share. The SPP closed on 15 January 2010, a total of \$10,316,400 was raised and 34,388,000 ordinary fully paid shares in the Company were allotted on 28 January 2010.

*Expiration of Listed Options on 31 January 2010 at 25 cents each*

- The Company's listed options expired on 31 January 2010, with 82% of the options being exercised by option holders. On 8 February 2010, RBS Morgans agreed to underwrite the exercise of options which remained unexercised at 31 January 2010 totalling 11,231,928 at 25 cents each. A total of \$2,807,982 before costs was raised from RBS Morgans.
- The total funds raised from the exercise of options by shareholders and RBS Morgans placement of the remaining options for the period from 1 July 2009 to 9 February 2010 were \$15,410,121 before costs.
- Subsequent to 31 December 2009, and the exercise of the 31 January 2010 listed options, the Company as at 15 March 2010, has funds totalling \$44,265,886 (excluding cash advanced to jointly controlled operations) to apply to its activities and no debt.

DIRECTORS' REPORT

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**AUDITOR'S INDEPENDENCE**

The independence declaration received from the auditor of Victoria Petroleum N.L. is set out on page 35 and forms part of this Directors' Report for the half-year ended 31 December 2009.

Signed in accordance with a resolution of the directors.



John T Kopcheff  
Managing Director

Perth, Western Australia  
15 March 2010

**VICTORIA PETROLEUM N.L.**  
**ABN 50 008 942 827**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2009**

	Note	As at 31 December 2009 \$	As at 30 June 2009 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	5	24,258,802	18,289,877
Trade and other receivables	6	10,829,082	1,858,134
Held for trading financial assets		105,191	218,473
		35,193,075	20,366,484
Assets of disposal group classified as held for sale	11	600,933	1,490,480
<b>Total Current Assets</b>		<b>35,794,008</b>	<b>21,856,964</b>
<b>Non-current Assets</b>			
Trade and other receivables		80,143	99,816
Property, plant and equipment		19,346	5,213
Available-for-sale financial assets		1,020,833	519,920
Oil and gas properties	7	10,042,029	7,752,655
<b>Total Non-current Assets</b>		<b>11,162,351</b>	<b>8,377,604</b>
<b>TOTAL ASSETS</b>		<b>46,956,359</b>	<b>30,234,568</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables		1,306,394	1,560,294
Provisions		182,031	174,105
		1,488,425	1,734,399
Liabilities of disposal group classified as held for sale	11	332,004	1,046,820
<b>Total Current Liabilities</b>		<b>1,820,429</b>	<b>2,781,219</b>
<b>Non-current Liabilities</b>			
Provisions		1,793,703	1,752,505
<b>Total Non-current Liabilities</b>		<b>1,793,703</b>	<b>1,752,505</b>
<b>TOTAL LIABILITIES</b>		<b>3,614,132</b>	<b>4,533,724</b>
<b>NET ASSETS</b>		<b>43,342,227</b>	<b>25,700,844</b>
<b>EQUITY</b>			
<b>Equity attributable to equity holders of the parent</b>			
Contributed equity	12	125,657,238	110,018,067
Reserves		2,857,787	2,608,634
Accumulated losses		(85,172,798)	(86,925,857)
<b>TOTAL EQUITY</b>		<b>42,342,227</b>	<b>25,700,844</b>

The consolidated statement of financial position should be read in conjunction with the accompanying notes.

**VICTORIA PETROLEUM N.L.**  
**ABN 50 008 942 827**

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2009**

	Note	For the half-year ended 31 December 2009 \$	For the half-year ended 31 December 2008 \$
<b>Continuing operations</b>			
Revenue	4(a)	7,627,073	5,936,512
Cost of sales		(2,996,345)	(2,095,817)
<b>Gross profit</b>		<b>4,630,728</b>	<b>3,840,695</b>
Other income	4(b)	35,312	970,316
Impairment of oil and gas properties		(129,632)	(846,497)
Oil and gas exploration expense		(1,012,446)	(4,308,469)
General and administrative expenses	4(c)	(1,748,190)	(2,571,541)
<b>Profit / (Loss) from continuing operations before income tax</b>		<b>1,775,772</b>	<b>(2,915,496)</b>
Income tax benefit		160,381	44,375
<b>Profit / (Loss) from continuing operations after income tax</b>		<b>1,936,153</b>	<b>(2,871,121)</b>
<b>Discontinued operations</b>			
Loss from discontinued operations after income tax	11	(183,094)	(4,336,091)
<b>Net profit / (loss) for the period attributable to owners of the parent entity</b>		<b>1,753,059</b>	<b>(7,207,212)</b>
<b>Other comprehensive income</b>			
Foreign currency translation		(125,070)	1,455,925
Net fair value gains on available-for-sale financial assets		388,635	103,542
Transferred realised gains to other income		(14,412)	-
<b>Other comprehensive income for the period, net of tax</b>		<b>249,153</b>	<b>1,559,467</b>
<b>Total comprehensive income / (loss) for the period attributable to owners of parent entity</b>		<b>2,002,212</b>	<b>(5,647,745)</b>
<b>Earnings per share from continuing operations attributable to the ordinary equity holders of the parent (cents per share):</b>			
Basic earnings / (loss) per share		0.49	(0.88)
Diluted earnings / (loss) per share		0.46	(0.88)
<b>Earnings per share attributable to the ordinary equity holders of the parent (cents per share):</b>			
Basic earnings / (loss) per share		0.47	(2.20)
Diluted earnings / (loss) per share		0.44	(2.20)

The consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

**VICTORIA PETROLEUM N.L.**  
**ABN 50 008 942 827**

**CONSOLIDATED CASH FLOW STATEMENT**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2009**

	Note	For the half-year ended 31 December 2009 \$	For the half-year ended 31 December 2008 \$
<b>Cash flows from operating activities</b>			
Receipts from customers		6,371,124	5,731,956
Payments to suppliers and employees		(4,610,671)	(3,599,290)
Payments for exploration expenditure		(849,777)	(3,919,606)
Interest received		235,552	516,203
Fees received for technical services		724,468	568,705
Other receipts		23,752	-
<b>Net cash flows from / (used in) operating activities</b>		<b>1,894,448</b>	<b>(702,032)</b>
<b>Cash flows from investing activities</b>			
Payment for oil and gas properties	6	(8,000,000)	-
Payments for development of oil and gas properties		(3,705,432)	(4,599,437)
Purchase of property, plant and equipment		(17,150)	(4,014)
Proceeds from disposal of subsidiary / investment	11	416,150	-
<b>Net cash flows from / (used in) investing activities</b>		<b>(11,306,432)</b>	<b>(4,603,451)</b>
<b>Cash flows from financing activities</b>			
Proceeds from share issues	12	16,070,923	6,720,000
Transaction costs on issue of shares	12	(389,347)	(62,514)
<b>Net cash flows from / (used in) financing activities</b>		<b>15,681,576</b>	<b>6,657,486</b>
Net increase in cash and cash equivalents		6,269,592	1,352,003
Net foreign exchange differences		(203,791)	1,516,030
Cash and cash equivalents at the beginning of the period		18,289,877	17,670,235
<b>Cash and cash equivalents at the end of the period</b>	<b>5</b>	<b>24,355,678</b>	<b>20,538,268</b>

The consolidated cash flow of statement should be read in conjunction with the accompanying notes.

**VICTORIA PETROLEUM N.L.**  
**ABN 50 008 942 827**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2009**

The following table presents the consolidated statement of changes in equity for the half-year ended 31 December 2009:

	Issued capital	Accumulated losses	Foreign currency translation reserve	Share based payments reserve	Net realised gain reserve	Total
	\$	\$	\$	\$	\$	\$
<b>At 1 July 2009</b>	110,018,067	(86,925,857)	269,662	2,101,870	237,102	25,700,844
Profit / (Loss) for the period	-	1,753,059	-	-	-	1,753,059
Other comprehensive income	-	-	(125,070)	-	374,223	249,153
<b>Total comprehensive income</b>	<b>-</b>	<b>1,753,059</b>	<b>(125,070)</b>	<b>2,101,870</b>	<b>374,223</b>	<b>2,002,212</b>
<b>Transactions with owners, recorded directly in equity:</b>						
Issue of share capital	16,070,923	-	-	-	-	16,070,923
Share issue costs, net of tax	(431,752)	-	-	-	-	(431,752)
<b>At 31 December 2009</b>	<b>125,657,238</b>	<b>(85,172,798)</b>	<b>144,592</b>	<b>2,101,870</b>	<b>611,325</b>	<b>43,342,227</b>

**VICTORIA PETROLEUM N.L.**  
**ABN 50 008 942 827**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2008**

The following table presents the consolidated statement of changes in equity for the half-year ended 31 December 2008:

	Issued capital	Accumulated losses	Foreign currency translation reserve	Share based payments reserve	Net realised gain reserve	Total
	\$	\$	\$	\$	\$	\$
<b>At 1 July 2008</b>	103,307,256	(78,296,967)	(1,126,235)	1,177,675	106,741	25,168,470
Profit / (Loss) for the period	-	(7,207,212)	-	-	-	(7,207,212)
Other comprehensive income	-	-	1,455,925	-	103,542	1,559,467
<b>Total comprehensive income</b>	-	<b>(7,207,212)</b>	<b>1,455,925</b>	-	<b>103,542</b>	<b>(5,647,745)</b>
<b>Transactions with owners, recorded directly in equity:</b>						
Issue of share capital	6,720,000	-	-	-	-	6,720,000
Share issue costs, net of tax	(46,480)	-	-	-	-	(46,480)
<b>At 31 December 2008</b>	<b>109,980,776</b>	<b>(85,504,179)</b>	<b>329,690</b>	<b>1,177,675</b>	<b>210,283</b>	<b>26,194,245</b>

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

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**1. CORPORATE INFORMATION**

The financial report of Victoria Petroleum N.L. (“the Company”) and its consolidated entities (collectively known as “the Group”) for the half-year ended 31 December 2009 was authorised for issue in accordance with a resolution of the directors on 15 March 2010.

Victoria Petroleum N.L. is a company incorporated in Australia and limited by shares, which are publicly traded on the Australian Securities Exchange (ASX code “VPE”).

The principal activities during the half-year of entities within the Group were oil and coal seam gas exploration and production.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

The half-year financial report should be read in conjunction with the annual financial report of Victoria Petroleum N.L. as at 30 June 2009.

It is also recommended that the half-year financial report be considered together with any public announcements made by the Group during the half-year ended 31 December 2009 in accordance with the continuous disclosure obligations arising under the *Corporations Act 2001* and Australian Securities Exchange Listing Rules.

**(a) Basis of preparation**

The half-year consolidated financial report is a general-purpose condensed financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001* and AASB 134 *Interim Financial Reporting*.

The half-year financial report has been prepared on a historical cost basis, except for held for trading and available for sale investments that have been measured at fair value.

The financial report is presented in Australian dollars (\$).

For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(b) Significant accounting policies**

The half-year consolidated financial statements have been prepared using the same accounting policies as used in the annual financial statements for the year ended 30 June 2009, except for the adoption of amending Standards and Interpretations effective for annual reporting periods beginning on or after 1 July 2009.

From 1 July 2009 the Group has adopted all the Standards and Interpretations mandatory for annual periods beginning on or after 1 July 2009, including:

- AASB 8 and AASB2007-3 Operating Segments and consequential amendments to other Australian Accounting Standards.
- AASB 101 (Revised), AASB 2007-8 and AASB 2007-10 Presentation of Financial Statements and consequential amendments to other Australian Accounting Standards.
- AASB 2008-1 Amendments to Australian Accounting Standard – Share-based Payments: Vesting Conditions and Cancellations.
- AASB 2008-5 Amendments to Australian Accounting Standards arising from the Annual Improvements Project.
- AASB 2008-6 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project.
- AASB 2009-2 Amendments to Australian Accounting Standards – Improving Disclosures about Financial Instruments.
- AASB 2009-4 Amendments to Australian Accounting Standards arising from the Annual Improvements Project.
- AASB 2009-7 Amendments to Australian Accounting Standards.

Adoption of these Standards and Interpretations did not have any effect on the financial position or performance of the Group.

The Group has not elected to early adopt any new standards or amendments.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

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**3. OPERATING SEGMENTS**

***Identification of reportable segments***

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

The operating segments identified by management are based on the nature of the resources which correspond to the Group's strategy. Discrete financial information of each of these segments is reported to the executive management team on at least a monthly basis.

The reportable segments are based on operating segments determined by the nature of the resources, as these are sources of the Group's major risks and have the most effect on the rates of return.

***Types of resources***

*Coal Seam Gas*

The Coal Seam Gas exploration segment pertains to the Group's interest in the Surat Basin / Bowen Basin in Queensland.

*Oil*

The oil exploration and production segment pertains to the Group's interest in the Cooper Basin / Eromanga Basin in South Australia and Queensland.

***Accounting policies***

The accounting policies used by the Group in reporting segments internally are the same as those used to prepare the financial statements and in the prior period.

The following items and associated assets and liabilities are not allocated to operating segments as they are not considered part of the core operations of any segment:

- Net gains / losses on disposal of available-for-sale investments.
- Fair value gains / losses on held-for-trading derivatives.
- Impairment of assets - impairment of assets is not included in the measurement of segment profit or loss where they are not expected to recur.
- Corporate expenses.

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3. OPERATING SEGMENTS (CONTINUED)

The following tables present the revenue and profit information for reportable segments for the half-years ended 31 December 2009 and 31 December 2008:

	Coal Seam Gas		Oil		Total	
	2009	2008	2009	2008	2009	2008
	\$	\$	\$	\$	\$	\$
<b>Revenue</b>						
Revenue, before tax	-	-	6,538,911	4,714,772	6,538,911	4,714,772
Technical service fees	-	-	854,793	709,295	854,793	709,295
<b>Total segment revenue</b>	-	-	<b>7,393,704</b>	<b>5,424,067</b>	<b>7,393,704</b>	<b>5,424,067</b>
<i>Unallocated item:</i>						
Other revenue					233,369	512,445
<b>Total revenue per statement of comprehensive income</b>					<b>7,627,073</b>	<b>5,936,512</b>

	Coal Seam Gas		Oil		Total	
	2009	2008	2009	2008	2009	2008
	\$	\$	\$	\$	\$	\$
<b>Results</b>						
<b>Segment result</b>	<b>(764,526)</b>	<b>(450,895)</b>	<b>4,019,806</b>	<b>(1,375,820)</b>	<b>3,255,280</b>	<b>(1,826,715)</b>
<b>Reconciliation of segment net profit / (loss) after tax to net profit / (loss) before tax</b>						
<i>Unallocated items:</i>						
Net gain / (loss) on sale of subsidiaries					35,312	-
Net gain / (loss) on investments held for trading					(90,822)	(1,294,654)
Foreign exchange gain / (loss)					(183,686)	970,316
Corporate expenses					(1,240,312)	(764,443)
<b>Net profit / (loss) before tax per the statement of comprehensive income</b>					<b>1,775,772</b>	<b>(2,915,496)</b>

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

3. OPERATING SEGMENTS (CONTINUED)

Segment assets at 31 December 2009 and 30 June 2009 are as follows:

	Coal Seam Gas		Oil		Total	
	31 December 2009	30 June 2009	31 December 2009	30 June 2009	31 December 2009	30 June 2009
	\$	\$	\$	\$	\$	\$
<b>Segment assets</b>						
<b>Segment operating assets</b>	<b>115,605</b>	<b>148,186</b>	<b>11,310,455</b>	<b>9,286,830</b>	<b>11,426,060</b>	<b>9,435,016</b>
Held for trading financial assets					105,191	218,473
Available-for-sale financial assets					1,020,833	519,920
Assets of disposal group classified as held for sale					600,933	1,490,480
Unallocated assets <sup>1</sup>					33,803,342	18,570,679
<b>Total assets from continuing operations per the statement of financial position</b>					<b>46,956,359</b>	<b>30,234,568</b>

<sup>1</sup>The unallocated assets include cash at bank of \$24,258,802 (30 June 2009: \$18,289,877) and payment for oil and gas properties of \$8,000,000 (30 June 2009: nil).

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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2009**

**4. REVENUE AND EXPENSES**

	For the half-year ended 31 December 2009 \$	For the half-year ended 31 December 2008 \$
<b>Revenue and expenses from continuing operations</b>		
<b>(a) Revenue</b>		
Oil sales	6,538,911	4,714,772
Interest income	233,369	512,445
Technical service fees	854,793	709,295
	<b>7,627,073</b>	<b>5,936,512</b>
<b>(b) Other income</b>		
Foreign exchange gains	-	970,316
Net gain from sale of subsidiary / investments	35,312	-
	<b>35,312</b>	<b>970,316</b>
<b>(c) General and administrative expenses</b>		
Net loss recognised on re-measurement to fair value of investments held for trading	(90,822)	(1,294,654)
Employee benefits expense	(746,094)	(567,587)
Foreign exchange losses	(183,686)	-
Depreciation expense	(3,018)	(4,413)
Travel and accommodation	(25,797)	(77,191)
Share registry fees	(67,951)	(34,734)
Printing, postage and stationery	(14,529)	(13,851)
Operating lease expense	(179,700)	(129,435)
Consultants	(13,090)	(115,801)
Audit and taxation advice	(65,800)	(53,280)
Information technology support fees	(52,515)	(28,260)
Filing and listing fees	(38,440)	(27,162)
Insurance	(33,041)	(24,744)
Public relations	(54,028)	(72,196)
Subscriptions	(4,447)	(29,488)
Communication costs	(20,632)	(18,558)
Legal Fees	(75,335)	(43,498)
Other	(79,265)	(36,689)
	<b>(1,748,190)</b>	<b>(2,571,541)</b>

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

5. CURRENT ASSETS – CASH AND CASH EQUIVALENTS

	As at 31 December 2009 \$	As at 30 June 2009 \$
Cash at bank and in hand	23,155,412	16,886,233
Cash advanced to jointly controlled operations	1,103,390	1,463,644
	<b>24,258,802</b>	<b>18,289,877</b>

*Reconciliation to Consolidated Cash Flow Statement*

For the purposes of the consolidated cash flow statement, cash and cash equivalents comprise of the following:

	As at 31 December 2009 \$	As at 31 December 2008 \$
<b>Continuing operations</b>		
Cash at bank and in hand	23,155,412	18,709,057
Cash advanced to jointly controlled operations	1,103,390	1,629,925
	<b>24,258,802</b>	<b>20,338,982</b>
<b>Assets of disposal group classified as held for sale</b>		
Cash at bank and in hand	-	53,540
Cash advanced to jointly controlled operations	96,876	145,746
	<b>24,355,678</b>	<b>20,538,268</b>

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2009**

**6. CURRENT ASSETS - TRADE AND OTHER RECEIVABLES**

	As at 31 December 2009 \$	As at 30 June 2009 \$
Trade & other receivables	2,829,082	1,858,134
Payment for oil and gas properties	8,000,000	-
	<b>10,829,082</b>	<b>1,858,134</b>

\$8,000,000 was paid to the solicitors' trust account pursuant to the terms of the sale agreement between Bow Energy Ltd ("Bow") and the Company on 3 November 2009 for the purchase of Bow's interest in ATP 574P (refer to Note 11 and Note 13 to the financial statements for additional information). The transactions were yet to be finalised as at 31 December 2009.

**7. NON-CURRENT ASSETS – OIL AND GAS PROPERTIES**

	As at 31 December 2009 \$	As at 30 June 2009 \$
At the beginning of the financial year, net of accumulated amortisation and impairment	7,752,655	5,549,302
Additions	4,056,566	8,137,114
Amortisation	(956,109)	(1,277,389)
Impairment, net of reversals	(311,083)	(4,683,518)
Assets of disposal group classified as held for sale	(500,000)	(1,073,324)
Foreign exchange adjustment	-	1,100,470
At the end of the half-year, net of accumulated amortisation and impairment	<b>10,042,029</b>	<b>7,752,655</b>
At the beginning of the period		
Cost	16,381,080	17,620,610
Accumulated amortisation	(5,605,064)	(6,286,208)
Accumulated impairment, net of reversals	(3,023,361)	(5,785,100)
Net carrying amount	<b>7,752,655</b>	<b>5,549,302</b>
At the end of the period		
Cost	17,034,512	16,381,080
Accumulated amortisation	(3,839,490)	(5,605,064)
Accumulated impairment, net of reversals	(3,152,993)	(3,023,361)
Net carrying amount	<b>10,042,029</b>	<b>7,752,655</b>

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

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**7. NON-CURRENT ASSETS – OIL AND GAS PROPERTIES (CONTINUED)**

***Impairment of oil and gas properties***

At 31 December 2009, the Group reviewed the expected discounted cash flows from the Australian oil fields. As a result of a decrease in the remaining reserves and the decrease in the oil price, the carrying amount of these oil and gas properties was written down by \$311,083 (31 December 2008: \$846,497).

It is the Group's policy to use Proved and Probable (2P) reserves to support the carrying value of its oil and gas properties.

**8. DIVIDENDS PAID AND PROPOSED**

No dividends have been paid or declared by the Group during the half-year or to the date of this report.

**9. COMMITMENTS**

There have been no material changes in any commitments of the Group since 30 June 2009 (refer to Notes 11 and 13 for commitments relating to subsequent events).

**10. CONTINGENCIES**

There have been no material changes in any contingent assets or liabilities of the Group since 30 June 2009.

The Group is aware of native title claims made in respect of areas in Queensland in which the Group has an interest and recognises that there might be additional claims made in the future. A definitive assessment can not be made at this time of what impact the current or future claims, if any, may have on the Group.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

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**11. DISCONTINUED OPERATIONS**

***Disposal of Victoria Petroleum USA, Inc.***

On 12 August 2009, the Company entered into a sale agreement with R&M Oil and Gas, LLLP to dispose of the Company's subsidiary, Victoria Petroleum USA, Inc. The date of control of the business passed to the acquirer on that date. As at 30 June 2009, the assets and liabilities of Victoria Petroleum USA, Inc were classified as a disposal group held for sale. The Company received the sale proceeds of \$300,000 from the acquirer in September 2009.

***Details of assets held for sale – ATP 608P & ATP 805P, and L14 & EP 413***

***Purchase of Interest in ATP 574P, Surat Basin, Queensland***

On 3 November 2009, the Company entered into a binding agreement with Bow Energy Ltd ("Bow") to purchase all of Bow's interest in ATP 574P located in Queensland Surat Basin. The ATP 574P assets include 3.75% interest in the Walloon Coal Measures shallow area, 63.75% in the non-Walloon Coal Measures intermediate area and 18.75% interest in the non-Walloon Coal Measures bottom area.

The purchase consideration for the purchase of Bow's interests in ATP 574P was \$8,000,000 in cash, 13,000,000 ordinary fully paid shares in the Company, and the Group's share in Surat Basin tenements ATP 608P (24% in Stratton Block and 30% in Rookwood Block) and ATP 805P (15%). \$8,000,000 was paid on 9 November 2009 to the solicitors' trust account (refer to Note 6 to the financial statements) and the Company allotted 13,000,000 ordinary fully paid shares to Bow on 1 February 2010. The shares are subject to voluntary escrow until 2 November 2010.

The ATP 574P assets acquired from Bow will be used as consideration for the asset swap agreement with BG International (Aus) Limited Partnership as described below.

At 31 December 2009, the permits ATP 608P and ATP 805P were classified as a disposal group classified as held for sale (refer to Note 13 to the financial statements for additional information).

***Increased Interest from 40% to 60% in the Western Margin Oil Project Permits (PEL 104, PEL 111 & PRL 15), Mirage & Ventura Oil Fields namely PPL 213 & 214 and PEL 87 & 424 in Exchange for ATP 574P Interest***

On 11 November 2009, the Company entered into an agreement with BG International (Aus) Limited Partnership ("BG") by which the Company will transfer to BG the abovementioned acquired rights and interests in ATP 574P in exchange for the transfer to the Company of Permian Oil Pty Ltd ("Permian"), a subsidiary of BG (Asset Swap).

Permian's assets comprise of a 20% interest in the Western Margin Oil project permits (PEL 104, PEL 111 & PRL 15), the Mirage & Ventura Oil Fields namely PPL 213 & 214, and PEL 87 & 424.

The Company will transfer to BG a 3.75% interest in the Walloon Coal Measures of ATP 574P and varying interests in the underlying sections of the tenement. Following this asset swap, the Company will retain its original 30% interest in the Walloon Coal Measures of ATP 574P and the underlying sequence.

The transfer of the Company's interest in ATP 574P to BG is subject to ATP 574P joint venture partner consents, regulatory authority and the Company's shareholders approval (refer to Note 13 to the financial statements for additional information).

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

11. DISCONTINUED OPERATIONS (CONTINUED)

*Sale of Interest in Northern Perth Basin Permit Interests L 14 & EP 413*

On 11 February 2010, the Company reached an agreement with Norwest Energy N.L. ("Norwest") to sell its Northern Perth Basin interests to Norwest for a consideration of \$500,000.

The interests being sold to Norwest are:

- 5% interest in Jingemia Production Licence L 14; and
- 5.013% interest in Exploration Permit EP 413.

The transaction is subject to completion of formal documentation and the relevant documents being approved and registered by the Minister of Mines and Energy by 31 December 2010.

At 31 December 2009, the permits L14 and EP 413 were classified as a disposal group classified as held for sale (refer to Note 13 to the financial statements for additional information).

***Financial performance of assets held for sale and operations disposed of***

The results from discontinued operations for the half-years ended 31 December 2009 and 31 December 2008 are presented below:

	For the half-year ended 31 December 2009 \$	For the half-year ended 31 December 2008 \$
Revenue	387,902	494,063
Cost of sales	(313,601)	(315,952)
<b>Gross profit / (loss)</b>	<b>74,301</b>	<b>178,111</b>
Other income	2,182	-
Impairment of oil and gas properties	(181,451)	(4,107,665)
Oil and gas exploration expenses	(84,224)	(278,907)
Other expenses	6,098	(127,630)
<b>Profit / (Loss) from discontinued operations before income tax</b>	<b>(183,094)</b>	<b>4,336,091</b>
Income tax	-	-
<b>Profit / (Loss) from discontinued operations after income tax</b>	<b>(183,094)</b>	<b>4,336,091</b>

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

11. DISCONTINUED OPERATIONS (CONTINUED)

*Assets and liabilities of assets held for sale*

The major classes of assets and liabilities of the assets held for sale at 31 December 2009 and 30 June 2009 are as follows:

	As at 31 December 2009 \$	As at 30 June 2009 \$
<b>ASSETS</b>		
Cash and cash equivalents	96,876	51,467
Trade and other receivables	4,057	353,943
Oil and gas properties	500,000	1,073,324
Property, plant and equipment	-	11,746
<b>Assets classified as held for sale</b>	<b>600,933</b>	<b>1,490,480</b>
<b>LIABILITIES</b>		
Trade and other payables	146,800	193,479
Provisions	185,204	853,341
<b>Liabilities directly associated with assets classified as held for sale</b>	<b>332,004</b>	<b>1,046,820</b>
<b>Net assets attributable to assets classified as held for sale</b>	<b>268,929</b>	<b>443,660</b>

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

12. CONTRIBUTED EQUITY

	As at 31 December 2009 \$	As at 30 June 2009 \$
Ordinary fully paid shares (i)	125,603,863	109,964,692
Ordinary partly paid shares, paid to 10 cents (ii)	27,000	27,000
Ordinary partly paid shares, paid to 1 cent (ii)	19,150	19,150
Ordinary partly paid shares, paid to 0.1 cent (ii)	7,225	7,225
<b>Total issued capital</b>	<b>125,657,238</b>	<b>110,018,067</b>

- (i) Ordinary fully paid shares have the right to receive dividends as declared and, in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on the shares held. Ordinary fully paid shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.
- (ii) Partly paid shares have the same rights as fully paid ordinary shares, however they are only entitled to receive dividends to the extent of the paid up amount. Voting rights associated with partly paid shares are pro rated to the extent of the paid up amount.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

12. CONTRIBUTED EQUITY (CONTINUED)

*Ordinary fully paid shares*

	As at 31 December 2009		As at 30 June 2009	
	Number of shares	\$	Number of shares	\$
<b>Movement in ordinary fully paid shares on issue</b>				
Balance at the beginning of the period	368,300,198	109,964,692	320,151,033	103,253,881
Shares issued during the half-year (i)	44,082,092	13,020,523	48,149,165	6,757,291
Transaction costs on share issues	-	(431,752)	-	(46,480)
	412,382,290	122,553,463	368,300,198	109,964,692
Shares to be issued (ii)	10,168,000	3,050,400	-	-
<b>Balance at the end of the period</b>	<b>422,550,290</b>	<b>125,603,863</b>	<b>368,300,198</b>	<b>109,964,692</b>

(i) *During the half-year ended 31 December 2009*

On 4 December 2009, the Company issued 40,000,000 ordinary fully paid shares at a price of 30 cents each, to raise \$12,000,000 before costs.

A total of 4,082,092 ordinary fully paid shares were also issued at a price of 25 cents each for the exercise of unlisted and listed options during the half-year ended 31 December 2009, which raised \$1,020,523 before costs.

*During the financial year ended 30 June 2009*

On 3 December 2008, the Company issued 48,000,000 ordinary fully paid shares at a price of 14 cents each, to raise \$6,720,000 before costs.

A total of 149,165 ordinary fully paid shares were also issued at a price of 25 cents each for the exercise of listed options, which raised \$37,291 before costs.

(ii) On 4 December 2009, a Share Purchase Plan was offered to all eligible shareholders of the Company at an issue price of 30 cents per share. The SPP closed on 15 January 2010.

On 28 January 2010, the Company issued 34,388,000 ordinary fully paid shares at a price of 30 cents each pursuant to the share purchase plan exercise. Of this total, funds for 10,168,000 ordinary fully paid shares (\$3,050,400) were received and included in equity in December 2009 and funds for 24,220,000 ordinary fully paid shares (\$7,266,000) were received in January 2010 (refer to Note 13 to the financial statements for additional information).

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

12. CONTRIBUTED EQUITY (CONTINUED)

*Ordinary partly paid shares*

	As at 31 December 2009		As at 30 June 2009	
	Number of shares	\$	Number of shares	\$
<b>Movement in ordinary partly paid shares on issue</b>				
Balance at the beginning of the period	9,410,000	53,375	9,410,000	53,375
<b>Balance at the end of the period</b>	<b>9,410,000</b>	<b>53,375</b>	<b>9,410,000</b>	<b>53,375</b>

The ordinary partly paid shares at balance date comprise the following:

- 270,000 ordinary shares were issued at \$3.50, partly paid to 10 cents.
- 1,915,000 ordinary shares were issued at 60 cents, partly paid to 1 cent.
- 7,225,000 ordinary shares were issued at 40 cents, partly paid to 0.1 cent.

*Options*

	As at 31 December 2009	As at 30 June 2009
	Number of options	Number of options
<b>Movement in share options on issue</b>		
Balance at the beginning of the period	71,165,482	68,506,647
Options issued during the year	-	9,525,000
Options expired during the half-year	-	(6,717,000)
Options exercised during the half-year (i)	(4,082,092)	(149,165)
<b>Balance at the end of the period (ii)</b>	<b>67,083,390</b>	<b>71,165,482</b>

(i) A total of 750,000 unlisted options and 3,332,092 listed options were exercised by the option holders during the half-year ended 31 December 2009 at a price of 25 cents, which raised \$1,020,523 before costs.

(ii) The balance at the end of the current period comprises of the following options:

- 58,308,390 listed options, which have an exercise price of 25 cents with an expiration date of 31 January 2010.
- 8,775,000 unlisted options, which have an exercise price and an expiry date of 31 January 2012.

Option holders do not have any right by virtue of the option to participate in any share issue of the Company or any related body corporate.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

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**13. EVENTS AFTER THE BALANCE SHEET DATE**

***Share Purchase Plan***

On 4 December 2009, a Share Purchase Plan ("SPP") was offered to all eligible shareholders of the Company at an issue price of 30 cents per share.

The Company received \$3,050,400 at the close of business on 31 December 2009 (refer to Note 12 to the financial statements for additional information). The SPP closed on 15 January 2010 and a total of \$7,266,000 was raised subsequent to 31 December 2009. 34,388,000 ordinary fully paid shares in the Company were allotted on 28 January 2010.

***Expiration of Listed Options on 31 January 2010 at 25 cents each***

The Company's listed options expired on 31 January 2010, with 82% of the options being exercised by option holders. The number which remained unexercised at that date was 11,231,928 options. RBS Morgans Ltd ("RBS Morgans") arranged for placement of the remaining options at 25 cents each. A total of \$2,807,982 before costs was raised from the placement with RBS Morgans.

Total funds raised from the exercise of options by shareholders and RBS Morgans placement of the remaining options between the period from 1 January 2010 to 9 February 2010 were \$14,577,098 before costs.

***Purchase of Interest in ATP 574P, Surat Basin, Queensland***

Refer to Note 11 to the financial statements for additional information.

\$8,000,000 was paid on 9 November 2009 to the solicitors' trust account and the Company allotted 13,000,000 ordinary fully paid shares to Bow Energy Ltd on 1 February 2010. The shares are subject to voluntary escrow until 2 November 2010.

At the date of this report, additional statutory and joint operating agreement documentation is in the process of being prepared as part of the sale procedure, with these documents expected to be completed by June 2010.

***Increased Interest from 40% to 60% in the Western Margin Oil Project Permits (PEL 104, PEL 111 & PRL 15), Mirage & Ventura Oil Fields namely PPL 213 & 214 and PEL 87 & 424 in Exchange for ATP 574P Interest***

Refer to Note 11 to the financial statements for additional information.

At the date of this report, statutory documentation as part of the asset swap procedure is in the process of being prepared and is expected to be completed by June 2010. An Extraordinary General Meeting will be held in April 2010 to seek the approval of the Company's shareholders for the Permian acquisition.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

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**13. EVENTS AFTER THE BALANCE SHEET DATE (CONTINUED)**

***Sale of Interest in Northern Perth Basin Permit Interests L 14 & EP 413***

Refer to Note 11 to the financial statements for additional information.

***Other***

Since the end of the half-year, the directors are not aware of any other matters or circumstances not otherwise dealt with in the report or financial statements that have significantly, or may significantly, affect the operations of the Company or the Group, the results of the operations of the Group, or the state of affairs of the Group in subsequent financial years.

**VICTORIA PETROLEUM N.L.**  
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**DIRECTORS' DECLARATION**

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In accordance with a resolution of the directors of Victoria Petroleum N.L, I state that:

In the opinion of the directors:

- a) the financial statements and notes of Victoria Petroleum N.L. and its controlled entities (collectively known as "the Group") are in accordance with the *Corporations Act 2001*, including:
  - (i) give a true and fair view of the financial position as at 31 December 2009 and the performance for the half-year ended on that date of the Group; and
  - (ii) comply with Accounting Standard AASB 134 "*Interim Financial Reporting*" and the Corporations Regulations 2001; and
- b) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

On behalf of the Board of Directors



John T Kopcheff  
Managing Director

Perth, Western Australia  
15 March 2010

AUDITOR'S INDEPENDENCE DECLARATION

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Ernst & Young Building  
11 Mounts Bay Road  
Perth WA 6000 Australia  
GPO Box M939 Perth WA 6843  
Tel: +61 8 9429 2222  
Fax: +61 8 9429 2436  
www.ey.com/au

**Auditor's Independence Declaration to the Directors of Victoria Petroleum NL**

In relation to our review of the financial report of Victoria Petroleum NL for the half-year ended 31 December 2009, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

A handwritten signature in black ink that reads "Ernst &amp; Young".

Ernst & Young

A handwritten signature in black ink that reads "G A Buckingham".

G A Buckingham  
Partner  
Perth  
15 March 2010

AUDITOR'S INDEPENDENT REVIEW REPORT

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To the members of Victoria Petroleum NL

## Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Victoria Petroleum NL, which comprises the statement of financial position as at 31 December 2009, and the statement of comprehensive income, statement of changes in equity and cash flow statement for the half-year ended on that date, other selected explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

### Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the half-year 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 half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Interim and Other Financial Reports 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 2009 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 Victoria Petroleum NL and the entities it controlled during the half-year, 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 have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

AUDITOR'S INDEPENDENT REVIEW 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 interim financial report of Victoria Petroleum NL is not in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and of its performance for the half-year period ended on that date; and
- (ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A handwritten signature in black ink that reads "Ernst &amp; Young".

Ernst & Young

A handwritten signature in black ink that reads "G A Buckingham".

G A Buckingham  
Partner  
Perth  
15 March 2010