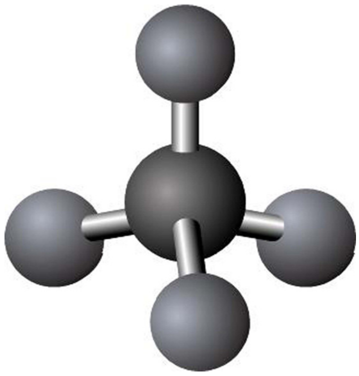

Consolidated Financial Report for the Half-Year to 31 December 2008

This document should be read in conjunction with the Annual Financial Report of Westralian Gas and Power Limited for the year ended 30 June 2008

CORPORATE DIRECTORY

DIRECTORS:	Peter Briggs (Chairman) Stephen Thomas Geoffrey Hill
COMPANY SECRETARY:	Jack Hugh Toby FCA AACS
ABN:	53 109 213 470
REGISTERED OFFICE:	Suite 1 46 Ord St West Perth, Western Australia 6005 Tel: +61 (8) 9322 6955 Fax: +61 (8) 9322 6722
AUDITORS:	**BDO Kendalls Audit & Assurance (WA) Pty Ltd** 128 Hay St Subiaco WA 6008 Tel: +61 (8) 9380 8400 Fax: +61 (8) 9380 8499
SHARE REGISTRY:	**Computershare Investor Services Pty Ltd** Level 2, Reserve Bank Building 45 St Georges Terrace Perth, Western Australia 6000 GPO Box D182 Perth, Western Australia 6840 Tel: +61 1300 557 010 Fax: +61 (8) 9323 2033

DIRECTORS' REPORT

The directors of Westralian Gas and Power Limited A.C.N. 109 213 470 ("Parent Entity" or "Company") present their report including the consolidated financial report of the Company and its controlled entities ("Consolidated Entity or Group") for the half-year ended 31 December 2008. The Company is a listed public company limited by shares, incorporated and domiciled in Australia.

DIRECTORS

The names of the directors of the Company who held office during or since the end of the half-year are:-

Peter Briggs
Stephen Thomas
Geoffrey Hill

OPERATING RESULTS

The operating loss for the Consolidated Entity, after income tax amounted to $350,865.

SIGNIFICANT CHANGES AND REVIEW OF OPERATIONS

The following significant changes in the state of affairs of the Company occurred during the financial half-year:

On 21 August 2008, the Company announced the signing of a memorandum of understanding (MOU) with Oswal Resources Pty Ltd ("Oswal") covering all of the onshore Western Australian Mining and Petroleum Leases held by the Company. Under the terms of the MOU, Oswal and the Company would finalise a Joint Venture Agreement within 3 months pursuant to which Oswal Resources will fund 100 percent of the exploration on the Company's leases in south west and mid west Western Australia to a bankable feasibility, to earn a 75% interest. Exploration of the Mining and Petroleum Leases is to include, coal, coal seam methane gas, conventional hydrocarbons and the prospects of underground coal gasification. The transaction will be conditional on various matters including due diligence and approvals. The agreement also requires a payment of $200,000 to the Company and payment of an amount equal to the lesser of the amount spent by the Company or by any of its subsidiaries directly in relation to exploration of the Resource Titles between the date of their grant and the date of this Memorandum, including application fees, rental, rates, accounting fees, legal fees, overheads and any other fees, costs or expenses incurred in relation to them (which must be evidenced by production of accounts and receipts); and $2,500,000 by equal annual payments over a three year period.

On 26 September 2008, the Company received a letter from Natural Resource Finance Pty Ltd, a company associated with Mr Peter Briggs, a director of the Company, whereby Natural Resource Finance Pty Ltd agreed to provide sufficient cash funds on an interest free basis to the Company to cover all creditors of the Company and its subsidiaries as and when required to a maximum of $400,000. Natural Resource Finance Pty Ltd has agreed that it will not demand repayment of any such funds provided until at least October 2009. The directors regard this as an interim facility pending the completion of asset sales, capital raising or other arrangements that will generate cash funds for the Company.

On 1 October 2008, the Company announced that it had issued 10,000,000 options exercisable at $0.05 each and expiring on 1 October 2011 ("Options"). The Options were issued pursuant to an agreement to acquire all of the issued shares in Flamestar Corporation Pty Ltd ("Flamestar"). Consideration for the acquisition being the issue of the Options plus $30,000 as reimbursement of funds expended in relation to Flamestar's tenement interests. Flamestar holds a 12.5% free carried interest in tenement EL70/2738 and applications for drilling reservations 2/05-6 and 3/05-6 in Western Australia. Flamestar has no other assets or liabilities. The acquisition of Flamestar completes the acquisition by Westralian of 100% of Westralian's Collie and Wilga permits. The directors believe that both of these basins contain significant amounts of coal and may contain coalseam methane as well as minable coal.

On 13 October 2008, the Company announced that it had entered into a loan facility for $150,000. This loan was unsecured and interest free and repayable by 31 December 2008. Pursuant to the loan agreement, the Company agreed to approve and accept, subject to approval by the shareholders of the Company in General Meeting of appropriate resolutions authorizing the Board of the Company to so do, applications from the Lender or the Lender's nominee for fully paid ordinary shares in the Company at either 3 cents per share or at an issue price of no less than 80% of the average market price for shares calculated over the 5 days on which sales in shares are recorded on ASX before the day on which the issue is made, together with applications from the Lender or the Lender's nominee for options to acquire shares in the Company for 5 cents each expiring on 1 October 2011 to be issued at an issue price of 0.1 cent per option on the basis of two options for each share subscribed for, for a total amount (comprising the cost of the shares applied for plus the issue price of the options applied for) equal to the principal amount, provided that the applications are received from sophisticated or professional investors for the purposes of the Corporations Act. The full terms and conditions of the options will be the same as the existing options on issue with the same expiry date. In addition the Company has agreed, subject to approval by the shareholders of the Company in General Meeting of resolutions, or other circumstances, which permit the Board of the Company to so do in compliance with the ASX Listing Rules, to provide a loan arrangement fee of 2,500,000 free options to subscribe for fully paid ordinary shares in the Company for 3 cents per share, exercisable on or before 26 November 2009.

On 13 October 2008, the Company issued 1,193,496 fully paid ordinary shares at 2.5 cents per share.

On 30 October 2008, the Company announced that it had signed a title transfer and share sale and purchase agreement and a joint-venture shareholder's agreement with Oswal Resources Pty Ltd ("Oswal") pursuant to the Memorandum of Understanding between the two companies, announced on 21 August 2008, to explore strategic energy opportunities in Western Australia. A new joint venture company, Oswest Energy Pty Ltd ("Oswest") has been formed which is 75 per cent owned by Oswal and 25 per owned by the Company. Oswest will now hold approximately 4500 square kilometres of onshore petroleum titles from Geraldton to Augusta in coastal Western Australia and a coal exploration licence in the Collie region of WA, formerly held by the Company. By virtue of the agreements, Oswal is to fund the initial evaluation and exploration of those titles and the licence. It is also to fund any bankable feasibility study carried out in respect of resources identified during the initial evaluation. If after the completion of the bankable feasibility study Oswal elects to proceed to commercial development of the resources the subject of the study, then Oswal must, to the extent that the Company is unable to fund its 25% share of that development, loan to the Company that shortfall. Any such loan together with interest at a rate of 15% per annum is to be repaid primarily out of the Company's share of production.

Prior to the completion of a bankable feasibility study Oswal has the right to cease sole funding and if that occurs the titles and licence previously transferred to Oswest by the Company must be returned to the Company unless they are able to be sold by Oswest within 6 months of Oswal's decision to cease funding. This joint venture considerably reduces the Company's overheads and commitments and provides an immediate payment of $200,000 and also provides for reimbursement over three years of the company's previous exploration costs to a maximum of $2.5 million, commencing 12 months after the transfer of all the Titles to Oswest. Consequent on finalisation of the Oswest Joint Venture, WGP has settled unresolved issues with regard to the termination of the joint venture with ERM Gas Ltd ("ERM Joint Venture") as announced on 15 April 2008, by the return of a $100,000 fee that the Company originally received from ERM Gas Ltd at the inception of the ERM Joint Venture.

On 25 November 2008, the Company issued 2,500,000 free options exercisable at $0.03 cents each and expiring on 26 November 2009. These options were issued as a loan arrangement fee for loan of $150,000 as announced on 13 October 2008.

On 5 December 2008, the Company issued 9,953,306 fully paid ordinary shares for $0.03 cents each and 17,640,806 options at an option issue price of $0.001 per option. The options are exercisable at $0.05 each and expire on 1 October 2011. The shares and options issued include 4,687,500 shares and 9,375,000 options subscribed for in accordance with a loan agreement as announced on 13 October 2008. The issue of these shares and options was approved by the Annual General Meeting of shareholders of the Company on 25 November 2008.

EVENTS SUBSEQUENT TO BALANCE DATE

On 6 January 2009, the Company issued 26,212,500 fully paid ordinary shares for $0.02 cents each and 3,712,500 options at an option issue price of $0.001 per option. The options are exercisable at $0.05 each and expire on 1 October 2011. The issue of 15,000,000 of these shares and all of these options was approved by the Annual General Meeting of shareholders of the Company on 25 November 2008.

On 19 January 2009, the Company issued 2,500,000 fully paid ordinary shares for $0.03 cents each and 2,500,000 options at an option issue price of $0.001 per option. The options are exercisable at $0.05 each and expire on 1 October 2011. The issue of these shares and options was approved by the Annual General Meeting of shareholders of the Company on 25 November 2008.

On 6 February 2009, the Company issued 6,000,000 options at an option issue price of $0.001 per option. The options are exercisable at $0.05 each and expire on 1 October 2011. The issue of these options was approved by the Annual General Meeting of shareholders of the Company on 25 November 2008.

On 13 February 2009, the Company announced that it had accepted the first stage of the joint venture budget of $1.4 million to fund its coal and coal seam gas exploration. Pursuant to the terms of the joint venture, WGP CEO Stephen Thomas has been seconded to Oswest Energy to oversee the exploration activities. The seismic data will be processed and interpreted to identify five new drill targets in the Collie Basin coal areas.

On 13 February 2009, the Company also announced that in accordance with its joint venture agreement with Roc Oil Company Limited ("ROC"), Roc had completed re-processing and interpretation of 276 km of seismic data from WGP's offshore leases. The re-processing was carried out by Fugro Seismic Imaging in Perth. As a result, a further 350 square kilometre three-dimensional seismic programme will be completed in 2009 with the aim of beginning drilling for oil and gas in 2010.

No other matters or circumstances have arisen since the end of the financial period which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in subsequent financial periods.

AUDITORS INDEPENDENCE DECLARATION

In accordance with the Corporations Act 2001 section 307C the auditors of the Company have provided a signed auditors independence declaration to the directors in relation to the half-year ended 31 December 2008. This declaration has been attached to the independent review report to the members of the Company.

Signed in accordance with a resolution of the directors.

Peter Briggs
Director

13 March 2009
Perth, Western Australia

DIRECTORS' DECLARATION

The directors of Westralian Gas and Power Limited A.C.N. 055 719 394 ("Company") declare that:

a) in their opinion the accompanying financial statements and notes of the Consolidated Entity;

   i) comply with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001; and

   ii) give a true and fair view of the Consolidated Entity's financial position as at 31 December 2008 and its performance for the half-year ended on that date; and

b) In their opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:

Peter Briggs
Director

13 March 2009
Perth, Western Australia

INCOME STATEMENT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

	Note	2008 $	2007 $
Oil sales	3	37,909	23,153
Interest received	3	1,649	29,041
Other income	3	213,020	107,677
Production lease costs		(52,501)	(29,602)
Option issue costs		(441,968)	(27,225)
Employee benefits and consultants expenses		(313,345)	(311,972)
Depreciation and amortisation expense		(44,901)	(36,316)
Exploration expenditure written off		(9,976)	(329,355)
Option fee refunded		(100,000)	—
Administrative expenses		(318,811)	(474,224)
Unrealised exchange gain/(loss)	3	702,633	(47,017)
Other expenses from ordinary activities		(24,574)	(4,347)
LOSS FROM CONTINUING OPERATIONS BEFORE INCOME TAX		(350,865)	(1,100,187)
Income tax		—	—
LOSS FROM CONTINUING OPERATIONS AFTER INCOME TAX		(350,865)	(1,100,187)
BASIC EARNINGS/(LOSS) PER SHARE (CENTS PER SHARE)		(0.46)	(1.70)
DILUTED EARNINGS/(LOSS) PER SHARE (CENTS PER SHARE)		(0.46)	(1.70)

The accompanying notes form part of this financial report

BALANCE SHEET
AS AT 31 DECEMBER 2008

	Note	31 December 2008 $	30 June 2008 $
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		22,221	206,346
Trade and other receivables		41,075	19,642
Inventories		13,041	10,991
TOTAL CURRENT ASSETS		76,337	236,979
NON-CURRENT ASSETS			
Plant and equipment		184,555	169,123
Capitalised oil and gas expenditure	4	209,778	119,063
TOTAL NON-CURRENT ASSETS		394,333	288,186
TOTAL ASSETS		470,670	525,165
CURRENT LIABILITIES			
Trade and other payables		264,326	132,253
Provisions		463	3,164
TOTAL CURRENT LIABILITIES		264,789	135,417
TOTAL LIABILITIES		264,789	135,417
NET ASSETS		205,881	389,748
EQUITY			
Issued capital	5	7,874,435	7,545,999
Reserves	6	312,105	473,543
Accumulated losses		(7,980,659)	(7,629,794)
TOTAL EQUITY		205,881	389,748

The accompanying notes form part of this financial report

CASH FLOW STATEMENT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

	Note	2008 $	2007 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		37,909	45,241
Payments to suppliers & employees		(515,649)	(1,235,685)
Interest received		1,649	29,041
Other revenue		13,020	100,000
NET CASH FROM/(USED IN) OPERATING ACTIVITIES		(463,071)	(1,061,403)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of oil and gas interests		—	(31,377)
Exploration expenditure		(101,493)	—
Proceeds from sale of investments		—	2,659
Purchase of property, plant and equipment		(2,825)	(52,512)
Proceeds from disposal of plant and equipment		6,495	5,050
NET CASH FROM/(USED IN) INVESTING ACTIVITIES		(97,823)	(76,180)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from equity issues		196,077	2,275,946
Share issue costs		—	—
Borrowings		175,000	—
Repayment of borrowings		(5,000)	(4,139)
NET CASH FROM/(USED IN) FINANCING ACTIVITIES		366,077	2,271,807
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(194,817)	1,134,224
Net foreign exchange differences		10,692	—
Cash and cash equivalents at beginning of period		206,346	66,975
CASH AND CASH EQUIVALENTS AT END OF PERIOD	7	22,221	1,201,199

The accompanying notes form part of this financial report

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

Attributable to Members of the Company	**Issued Capital** $	**Option Premium Reserve** $	**Currency Translation Reserve** $	**Accumulated Losses** $	**Total Equity** $
At 1 July 2007	5,270,053	235,697	39,254	(5,334,145)	210,859
Currency translation differences	—	—	51,744	—	51,744
Loss for period	—	—	—	(1,100,187)	(1,100,187)
TOTAL RECOGNISED IN INCOME AND EXPENSES FOR THE PERIOD	—	—	51,744	(1,100,187)	(1,048,443)
Securities issued	2,329,549	27,225	—	—	2,356,774
Capital raising costs	(53,603)	—	—	—	(53,603)
AT 31 DECEMBER 2007	7,545,999	262,922	90,998	(6,434,332)	1,465,587

Attributable to Members of the Company	**Issued Capital** $	**Option Premium Reserve** $	**Currency Translation Reserve** $	**Accumulated Losses** $	**Total Equity** $
At 1 July 2008	7,545,999	262,922	210,621	(7,629,794)	389,748
Currency translation differences	—	—	(621,047)	—	(621,047)
Loss for period	—	—	—	(350,865)	(350,865)
TOTAL RECOGNISED IN INCOME AND EXPENSES FOR THE PERIOD	—	—	(621,047)	(350,865)	(971,912)
Securities issued	328,436	459,609	—	—	788,045
AT 31 DECEMBER 2008	7,874,435	722,531	(410,426)	(7,980,659)	205,881

The accompanying notes form part of this financial report

NOTE 1. BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT

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 Westralian Gas and Power Limited as at 30 June 2008. It is also recommended that the half year financial report be considered together with any public announcements made by Westralian Gas and Power Limited during the half year ended 31 December 2008 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

Basis of accounting and statement of compliance

The half-year financial report is a general purpose financial report which has been prepared in accordance with the requirements of the Corporations Act 2001 and AASB 134 “Interim Financial Reporting”. The interim financial statements were approved by the Board of Directors on the date the Directors Report is dated. The accounting policies applied by the Company in this interim financial report are the same as those applied by the Company in its financial report for the year ended 30 June 2008.

The half-year financial report has been prepared on an accrual and a historical cost basis, except for held-for-trading financial assets that have been measured at fair value. For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

At the date of authorisation of the financial report, the following Standards and Interpretations were in issue but not yet effective. Implementation of these Standards and Interpretations are not expected to have any effect on the financial statements or the performance of the Group:

AASB 8 – Operating Segments, effective from 31 December 2009
AASB 101 – Presentation of Financial Statements, effective from 31 December 2009

Statement of compliance

The half-year financial report complies with the Corporations Act 2001 and AASB 134 “Interim Financial Reporting”. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 ”Interim Financial Reporting”.

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 2008.

Intra-Group Receivables

The Company has an inter-company receivable with its wholly owned subsidiary Sunset Energy LLC. The directors have assessed the treatment of the receivable in relation to changes in foreign exchange movements (AASB 121) and believe that the subsidiary plans to repay the receivable in the foreseeable future by way of successful oil exploration or alternatively by sale of assets.

NOTE 2. GOING CONCERN BASIS

The Group incurred a loss for the half-year of $350,865 (in the prior half-year a loss of $1,100,187). The net assets of the Group have decreased by $183,867 from $389,748 at 30 June 2008 to $205,881 at 31 December 2008. As at 31 December 2008 the Group had net assets of $205,881 and cash assets of $22,221 (30 June 2008: net assets of $389,748 and cash assets of $206,346).

The Group has signed a joint venture agreements with respect to its coal-seam gas assets in Western Australia and also its off-shore oil assets in Western Australia and expects significant funding for exploration from its joint venture partners.

Subsequent to 31 December 2008, the Company has raised $611,483 from the issue of shares and options.

On 26 September 2008, the Company received a letter from Natural Resource Finance Pty Ltd, a company associated with Mr Peter Briggs, a director of the Company, whereby Natural Resource Finance Pty Ltd agreed to provide sufficient cash funds on an interest free basis to the Company to cover all creditors of the Company and its subsidiaries as and when required to a maximum of $400,000. Natural Resource Finance Pty Ltd has agreed that it will not demand repayment of any such funds provided until at least October 2009. The directors regard this as an interim facility pending the completion of asset sales, capital raising or other arrangements that will generate cash funds for the Company.

As the Group continues to invest in exploring and developing its assets, the Group may require additional working capital that may be funded through cash flows from existing assets, proceeds from asset sales or additional capital raisings by share placements. As such, the Directors consider the Group can manage its assets to ensure sufficient funds are available to meet its financial responsibilities. Based on this, the Directors consider it appropriate that the financial report be prepared on a going concern basis.

NOTE 3. REVENUE, INCOME AND EXPENSES

The loss before income tax expense includes the following revenues and expenses where disclosure is relevant in explaining the performance of the Company:

	Half-Year to 31 December 2008 $	Half-Year to 31 December 2007 $
REVENUE		
Oil sales	37,909	23,153
Interest received	1,649	29,041
	39,558	52,194
OTHER INCOME		
Joint Venture fee received	200,000	—
Option fee	—	100,000
Unrealised exchange gain	702,633	—
Other	13,020	7,677
	915,653	107,677
CHARGING AS EXPENSES		
Production lease costs	52,501	29,602
Option issue costs	441,968	27,225
Employee benefits and consultants expenses	313,345	311,972
Depreciation and amortisation expense	44,901	36,316
Exploration expenditure written off	9,976	329,355
Administrative expenses	318,811	474,224
Unrealised exchange loss	—	47,017
Option fee refunded	100,000	—
Other expenses	24,574	4,382
	1,306,076	1,260,093

NOTE 4. SUNSET ENERGY LLC CAPITALISED OIL AND GAS EXPENDITURE AND PLANT & EQUIPMENT

The ultimate recoupment of Sunset Energy LLC assets carried forward in relation to the Capitalised oil and gas expenditure and Plant & equipment is dependent on its successful development and commercial exploitation or alternative the sale of the respective tenements.

NOTE 5. ISSUED CAPITAL

	Half-Year to 31 December 2008 $	Year to 30 June 2008 $
ORDINARY SHARES		
85,770,112 (30 June 2008: 74,623,310) fully paid ordinary shares	7,874,435	7,545,999
	7,874,435	7,545,999
MOVEMENTS IN ORDINARY SHARES		
At the beginning of the period	7,545,999	5,268,683
1,193,496 shares issued on 13 October 2008	29,837	
9,953,306 shares issued on 5 December 2008	298,599	
2,800,000 shares issued on 6 July 2007	—	350,000
17,213,470 shares issued 26 October 2007	—	1,979,549
Conversion of 13,700,000 converting incentive preference shares to 17,340 ordinary shares on 11 March 2008	—	1,370
Capital raising costs	—	(53,603)
AT THE END OF THE FINANCIAL PERIOD	7,874,435	7,545,999
MOVEMENTS IN CONVERTING INCENTIVE PREFERENCE SHARES		
At the beginning of the period	—	1,370
Conversion of 13,700,000 converting incentive preference shares to 17,340 ordinary shares on 11 March 2008	—	(1,370)
AT THE END OF THE FINANCIAL PERIOD	—	—

NOTE 6. RESERVES

	Half-Year to 31 December 2008 $	Year to 30 June 2008 $
Option premium reserve	722,531	262,922
Currency translation reserve	(410,426)	210,621
	312,105	473,543
MOVEMENTS IN OPTION PREMIUM RESERVE		
At the beginning of the period	262,922	235,697
10,000,000 options issued 1 October 2008	423,846	—
2,500,000 options issued 25 November 2008	18,122	—
17,640,806 options issued 5 December 2008	17,641	—
2,250,000 options issued 30 November 2007	—	27,225
AT THE END OF THE FINANCIAL PERIOD	722,531	262,922
MOVEMENTS IN CURRENCY TRANSLATION RESERVE		
At the beginning of the period	210,621	39,254
Consolidation adjustment for the year	(621,047)	171,367
AT THE END OF THE FINANCIAL PERIOD	(410,426)	210,621

NOTE 7. RECONCILIATION OF CASH AND CASH EQUIVALENTS

For the purposes of the Cash Flow Statement, cash and cash equivalents comprise cash at bank.

NON-CASH FINANCING AND INVESTING ACTIVITIES

During the half-year, an outstanding loan of $150,000 was settled by the issue of shares and options in the Company. 10,000,000 options expiring on 01-Oct-2011, valued at $423,846, were issued as part consideration for the acquisition of Flamestar Corporation Pty Ltd. 2,500,000 free options expiring on 26-Nov-2009, valued at $18,122, were issued.

NOTE 8. SEGMENT INFORMATION

PRIMARY REPORTING BUSINESS SEGMENTS

During the half-year ended 31 December 2008 and also during the half-year ended 31 December 2007, the Consolidated Entity operated entirely in the oil and gas industry.

SECONDARY REPORTING GEOGRAPHICAL SEGMENTS

	External Revenue $	Inter-Segment Revenue $	Total Revenue $	Segment Profit /(Loss) $	Segment Assets $	Segment Liabilities $
HALF-YEAR TO 31 DECEMBER 2008						
Australasia	214,669	60,000	274,669	(81,178)	2,779,978	209,244
North America	37,909	—	37,909	(209,687)	293,588	2,658,441
Intersegment elimination	—	(60,000)	(60,000)	(60,000)	(2,602,896)	(2,602,896)
TOTAL	252,578	—	252,578	(350,865)	470,670	264,789

	External Revenue $	Inter-Segment Revenue $	Total Revenue $	Segment Profit /(Loss) $	Segment Assets $	Segment Liabilities $
HALF-YEAR TO 31 DECEMBER 2007						
Australasia	136,718	60,000	196,718	(458,901)	2,907,357	107,751
North America	23,153		23,153	(581,286)	271,824	1,605,878
Intersegment elimination	—	(60,000)	(60,000)	(60,000)	(1,576,584)	(1,576,584)
TOTAL	159,871	—	159,871	(1,100,187)	1,602,597	137,045

Segment revenues, expenses and results may include transfers between segments. The prices charged on intersegment transactions are the same as those charged for similar goods to parties outside of the economic entity at an arm's length. These transfers are eliminated on consolidation.

NOTE 9. CONTINGENT LIABILITIES

There has been no significant change in contingent liabilities since the last annual reporting date.

NOTE 10. RELATED PARTY TRANSACTIONS

During the financial period, companies associated with Mr Peter Briggs, a director of the Company, provided interest free loans of $25,000 to the Company of which $5,000 was repaid by 31 December 2008. The remaining balance of $20,000 was repaid subsequent to the end of the financial half-year.

During the financial period, the Company acquired 100% of the equity in Flamestar Corporation Pty Ltd from Mr Alan Burns, who was previously a director of the Company until 29 November 2007. The acquisition was effective from 1 October 2008 and consideration for the acquisition was 10,000,000 options exercisable at $0.05 each and expiring on 1 October 2011 plus $30,000.

Sunset Energy LLC, a wholly owned subsidiary of the Company, paid US$1,700 to Red Mountain Energy Inc (a company related to Mr Stephen Thomas, a director of the Company) for house, vehicle and equipment hire and the outstanding balance due from Sunset Energy LLC to Red Mountain Energy Inc was US$31,000 as at 31 December 2008.

NOTE 11. ACQUISITION OF SUBSIDIARIES

During the financial period, the Company acquired 100% of the equity in Flamestar Corporation Pty Ltd. The acquisition was effective from 1 October 2008 and consideration for the acquisition was 10,000,000 options exercisable at $0.05 each and expiring on 1 October 2011 plus $30,000. The assets and liabilities of Flamestar recognised on acquisition were:

	Recognised on acquisition $	Fair Value Adjustments $	Carrying Value $
Capitalised oil and gas expenditure	30,000	—	30,000
NET ASSETS ACQUIRED	30,000	—	30,000
Cash consideration	30,000		
Equity consideration	423,846		
TOTAL CONSIDERATION	453,846		
CONSIDERATION IN EXCESS OF NET ASSETS ACQUIRED	423,846		

The equity consideration of 10,000,000 options was written off to the income statement after the acquisition was completed.

NOTE 12. EVENTS SUBSEQUENT TO BALANCE DATE

The Company has signed a title transfer and share sale and purchase agreement and a joint-venture shareholder's agreement with Oswal Resources Pty Ltd ("Oswal") to explore strategic energy opportunities in Western Australia. A new joint venture company, Oswest Energy Pty Ltd ("Oswest") has been formed which is 75 per cent owned by Oswal and 25 per owned by the Company. Oswest will now hold approximately 4500 square kilometres of onshore petroleum titles from Geraldton to Augusta in coastal Western Australia and a coal exploration licence in the Collie region of WA, formerly held by the Company. By virtue of the agreements, Oswal is to fund the initial evaluation and exploration of those titles and the licence. It is also to fund any bankable feasibility study carried out in respect of resources identified during the initial evaluation. If after the completion of the bankable feasibility study Oswal elects to proceed to commercial development of the resources the subject of the study, then Oswal must, to the extent that the Company is unable to fund its 25% share of that development, loan to the Company that shortfall. Any such loan together with interest at a rate of 15% per annum is to be repaid primarily out of the Company's share of production.

Prior to the completion of a bankable feasibility study Oswal has the right to cease sole funding and if that occurs the titles and licence previously transferred to Oswest by the Company must be returned to the Company unless they are able to be sold by Oswest within 6 months of Oswal's decision to cease funding. This joint venture considerably reduces the Company's overheads and commitments and provides an immediate payment of $200,000 on the satisfaction of certain conditions which are expected to be satisfied within 7 days and also provides for reimbursement over three years of the company's previous exploration costs to a maximum of $2.5 million, commencing 12 months after the transfer of all the Titles to Oswest.

NOTE 13. EVENTS SUBSEQUENT TO BALANCE DATE

On 6 January 2009, the Company issued 26,212,500 fully paid ordinary shares for $0.02 cents each and 3,712,500 options at an option issue price of $0.001 per option. The options are exercisable at $0.05 each and expire on 1 October 2011. The issue of 15,000,000 of these shares and all of these options was approved by the Annual General Meeting of shareholders of the Company on 25 November 2008.

On 19 January 2009, the Company issued 2,500,000 fully paid ordinary shares for $0.03 cents each and 2,500,000 options at an option issue price of $0.001 per option. The options are exercisable at $0.05 each and expire on 1 October 2011. The issue of these shares and options was approved by the Annual General Meeting of shareholders of the Company on 25 November 2008.

On 6 February 2009, the Company issued 6,000,000 options at an option issue price of $0.001 per option. The options are exercisable at $0.05 each and expire on 1 October 2011. The issue of these options was approved by the Annual General Meeting of shareholders of the Company on 25 November 2008.

On 13 February 2009, the Company announced that it had accepted the first stage of the joint venture budget of $1.4 million to fund its coal and coal seam gas exploration. Pursuant to the terms of the joint venture, WGP CEO Stephen Thomas has been seconded to Oswest Energy to oversee the exploration activities. The seismic data will be processed and interpreted to identify five new drill targets in the Collie Basin coal areas.

On 13 February 2009, the Company also announced that in accordance with its joint venture agreement with Roc Oil Company Limited (“ROC”), Roc had completed re-processing and interpretation of 276 km of seismic data from WGP’s offshore leases. The re-processing was carried out by Fugro Seismic Imaging in Perth. As a result, a further 350 square kilometre three-dimensional seismic programme will be completed in 2009 with the aim of beginning drilling for oil and gas in 2010.

No other matters or circumstances have arisen since the end of the financial period which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in subsequent financial periods.

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

INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF WESTRALIAN GAS & POWER LIMITED
REPORT ON THE HALF-YEAR FINANCIAL REPORT

We have reviewed the accompanying half-year financial report Westralian Gas & Power Limited, which comprises the balance sheet as at 31 December 2008, and the income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration of the consolidated entity comprising the disclosing entity 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 consolidated entity 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 control 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 2008 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 Westralian Gas & Power 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*.

Basis for Qualified Conclusion

As at the 31 December 2008, the consolidated entity carried oil and gas properties at a written down value of $139,669 and property, plant and equipment at a written down value of $139,034 relating to its US subsidiary.

During the period ended 31 December 2008, the company has continued limited production on a contracted basis. At the date of this report, the directors are assessing options in relation to the future use of these assets and this process has not been finalised.

Accordingly, the directors have been unable to reliably assess the future cash flows from its oil and gas assets in a sale, operation or Joint Venture agreement scenario.

Due to the uncertainties of generating future cash flows relating to these assets, we have been unable to assess whether the assets are carried at the recoverable values and therefore whether impairment losses have been correctly recognised within the period's result.

Conclusion

Based on our review, which is not an audit, with the exception of the matter described in the preceding paragraph, we have not become aware of any matter that makes us believe that the half-year financial report of Westralian Gas & Power 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 2008 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.

Material Uncertainty Regarding Continuation as a Going Concern

Without qualifying our conclusion, we draw attention to Note 2 in the financial report. The consolidated entity has incurred a net loss of $350,865 and has incurred a net cash outflow of $194,187 during the half year ended 31 December 2008.

The consolidated entity will be required to seek additional funding through its Joint Venture arrangement, equity or other means to continue its activities.

These conditions, along with the other matters as set forth in Note 2, indicate the existence of a material uncertainty which may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, whether it will be able to realise its assets and extinguish its liabilities in the normal course of business and at the amounts carried in the financial statements.

BDO Kendalls Audit & Assurance (WA) Pty Ltd

BDO Kendalls

C Burton

Chris Burton
Director
Perth, Western Australia and 13 day of March 2009

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

13 March 2009

The Directors
Westralian Gas & Power Limited
Suite 1, 46 Ord Street
WEST PERTH WA 6005

Dear Sirs

DECLARATION OF INDEPENDENCE BY CHRIS BURTON TO THE DIRECTORS OF WESTRALIAN GAS & POWER LIMITED

As lead auditor of Westralian Gas & Power Limited for the period ended 31 December 2008, 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 Westralian Gas & Power Limited and the entities it controlled during the period.

Chris Burton
Director

BDO Kendalls

C Burton

BDO Kendalls Audit & Assurance (WA) Pty Ltd
Perth, 13 March 2009