

# MERIDIAN OIL NL

ACN 008 678 091

AND ITS CONTROLLED ENTITIES

## 2007 ANNUAL REPORT

### COMPANY INFORMATION

**Registered Office**

Level 4  
47 Neridah St  
Chatswood NSW 2067

**Auditors**

Ernst and Young

**Solicitors**

Esplins

**Share Registry**

Computershare Investor Services Pty Limited

**Bankers**

Westpac Banking Corporation Limited (formerly St George Bank Limited)

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# **MERIDIAN OIL NL AND ITS CONTROLLED ENTITIES**

## **DIRECTORS REPORT**

Your directors submit their report of Meridian Oil NL ('the Company') and its controlled entities for the year ended 30 June 2007.

## **DIRECTORS**

The names and details of the company's directors in office during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

### **Names, qualifications, experience and special responsibilities**

#### **D Devenish-Meares FCA (Chairman)**

Mr Devenish-Meares is a Chartered Accountant and has held directorships in several mining and petroleum exploration companies.

#### **I L Veale B. Sc (Geology)**

Mr Veale is a consultant geologist and investment adviser with considerable Australian and overseas experience in mining and petroleum exploration.

#### **K D Kolinac**

Mr Kolinac has been associated with various business providing services to the mining industry.

## **COMPANY SECRETARY**

#### **I L Veale**

## **SHARE OPTIONS**

No options have been granted during or since the year end.

## **DIVIDENDS**

The directors of the chief entity recommend that no dividend be paid. No dividend has been declared or paid since the end of the previous year.

## **CORPORATE INFORMATION**

### **Corporate structure**

Meridian Oil NL is a No Liability company that is incorporated and domiciled in Australia. The company has prepared a consolidated financial report incorporating Meridian Resources Inc the wholly owned entity that it controlled during the financial year.

### **Nature of operations and principal activities**

The principal activities of the entities during the financial year were the continuation of legal proceedings against certain former directors in regard to possible breaches of the Companies Code. This is subject to the economic entity continuing as a going concern and continuing to receive financial support from a major shareholder.

# MERIDIAN OIL NL AND ITS CONTROLLED ENTITIES

## DIRECTORS REPORT – continued

### Operating Results for the Year

The group's result for the year was a loss of \$69,372.

Summarised operating results are as follows:

	Year ended 30 June 2007	
	Revenues	Results
	\$	\$
<i>Business segments</i>		
Administration	3,398	(72,926)
Petroleum products	3,554	3,554
<i>Geographic segments</i>		
Australia	3,398	(72,926)
USA	3,554	3,554
Group sales and profit/ (loss) from continuing operations before income tax expense	6,952	(69,372)

### SIGNIFICANT EVENTS AFTER THE BALANCE DATE

There have been no significant events from the end of the year to the date of this report, except for the settlement of legal action against certain directors as disclosed in Note 14.

### LIKELY DEVELOPMENTS AND EXPECTED RESULTS

Likely developments in the economic entity's operations known at the date of this report have been covered generally within this report and elsewhere in the annual report. The company is currently taking legal advice regarding the progress of action in respect of the remaining defendants.

### DIRECTORS' REMUNERATION

No director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the parent company, subsidiary, or a related body corporate with a director, a firm of which a director is a member or an entity in which a director has a substantial financial interest, other than fees paid for administration services, and reimbursement of expenses, to Mr I L Veale and an associated company.

### EXECUTIVE REMUNERATION

The group has no employed executives.

# MERIDIAN OIL NL AND ITS CONTROLLED ENTITIES

## DIRECTORS REPORT - continued

### INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The company has not, during or since the year end, in respect of any person who is or has been an officer or auditor of the company or a related body corporate:

- indemnified or made any relevant agreement for indemnifying against a liability incurred as an officer, including costs and expenses in successfully defending legal proceedings; or
- paid or agreed to pay a premium in respect of a contract insuring against a liability incurred as an officer for the costs or expenses to defend legal proceedings;

The company is currently taking legal advice regarding the progress of action in respect of the remaining defendants in the legal proceedings against certain former directors in relation to possible breaches of the Companies Code in the period from 1988 to 1990. During the financial year ended 31 December 1995 the company entered into an agreement to indemnify Mr Ian Leslie Veale, a former director, current director and company secretary, against any liability that might arise from these proceedings. Mr Veale was formerly a director from 1980 to 1985 and is not subject to these proceedings.

### DIRECTORS' MEETINGS

The number of meetings of directors (including meetings of committees of directors) held during the financial year and the number of meetings attended by each director were as follows:

Of the 2 Directors' meeting held during the year ended 30 June 2007, the details of directors' attendance were as follows:

Director	Number of meetings eligible to attend	Number of meetings attended
D Devenish-Meares	2	2
I L Veale	2	2
K D Kolinac	2	2

# MERIDIAN OIL NL AND ITS CONTROLLED ENTITIES

## DIRECTORS REPORT - continued

### AUDITOR INDEPENDENCE

The director's received the following declaration from the auditor of Meridian Oil NL.

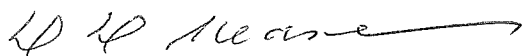
#### Auditor's Independence Declaration to the Director's of Meridian Oil NL.

In relation to our audit of the financial report of Meridian Oil NL for the financial year ended 30 June 2007, 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.

Ernst & Young.

Michael Elliott  
Partner  
12 December 2008

Signed in accordance with a resolution of the directors.



D Devenish-Meares  
Director

Sydney  
12 December 2008

# MERIDIAN OIL NL AND ITS CONTROLLED ENTITIES

## BALANCE SHEET AS AT 30 JUNE 2007

		Consolidated		Meridian Oil NL	
		Year ended 30 June	Year ended 30 June	Year ended 30 June	Year ended 30 June
Note		2007 \$	2006 \$	2007 \$	2006 \$
<b>ASSETS</b>					
Current Assets					
		26,998	24,568	24,733	20,002
	7	1,341	883	1,341	883
Total Current Assets		28,339	25,451	26,074	20,885
Non-current Assets					
	8	67,500	70,000	67,500	70,000
Total Non-current assets		67,500	70,000	67,500	70,000
Total Assets		95,839	95,451	93,574	90,885
<b>LIABILITIES</b>					
Current Liabilities					
	10	(6,120,215)	(6,047,955)	(6,161,695)	(6,083,580)
Total Current Liabilities		(6,120,215)	(6,047,955)	(6,161,695)	(6,083,580)
Total Liabilities		(6,120,215)	(6,047,955)	(6,161,695)	(6,083,580)
Net Liabilities		(6,024,376)	(5,952,504)	(6,068,121)	(5,992,695)
Shareholders Deficiency					
	11	27,906,461	27,906,461	27,906,461	27,906,461
	12	133,598	133,598	133,598	133,598
	12	(41,180)	(38,680)	(41,180)	(38,680)
	3	(34,023,255)	(33,953,883)	(34,067,000)	(33,994,074)
Total Shareholders Deficiency		(6,024,376)	(5,952,504)	(6,068,121)	(5,992,695)

## INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2007

	Note	Consolidated		Meridian Oil NL	
		Year ended 30 June	Year ended 30 June	Year ended 30 June	Year ended 30 June
		2007 \$	2006 \$	2007 \$	2006 \$
Revenue from continuing operations	4	6,952	9,073	3,398	206
Expenses from continuing operations	4	(76,324)	(22,544)	(76,324)	(22,544)
Loss from continuing operations before income tax	6	(69,372)	(13,471)	(72,926)	(22,338)
Income tax expense	5	-	-	-	-
Loss from continuing operations after income tax		<u>(69,372)</u>	<u>(13,471)</u>	<u>(72,926)</u>	<u>(22,338)</u>

The Balance Sheet and Income Statement are to be read in conjunction with the accompanying notes.

# MERIDIAN OIL NL AND ITS CONTROLLED ENTITIES

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2007

Note	Consolidated		Meridian Oil NL	
	Year ended 30 June 2007 \$	Year ended 30 June 2006 \$	Year ended 30 June 2007 \$	Year ended 30 June 2006 \$
<b><i>Cash flows from operating activities</i></b>				
Interest received	248	206	248	206
Receipts from customers	3,554	8,867	-	-
Payments to suppliers	(65,722)	(19,203)	(65,722)	(19,203)
Net cash flows used in operating activities	18 (61,920)	(10,130)	(65,474)	(18,997)
<b><i>Net cash flows from investing activities</i></b>				
Sale of shares	3,150	-	3,150	-
Net cash flow from investing activities	3,150	-	3,150	-
<b><i>Cash flows from financing activities</i></b>				
Proceeds from borrowings	61,200	25,000	67,055	35,740
Net cash flow from financing activities	61,200	25,000	67,055	35,740
Net increase in cash held	2,430	14,870	4,731	16,743
Add opening cash brought forward	24,568	9,698	20,002	3,259
Closing cash carried forward	26,998	24,568	24,733	20,002

The statement of cash flows is to be read in conjunction with the accompanying notes.

# MERIDIAN OIL NL AND ITS CONTROLLED ENTITIES

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2007 CONSOLIDATED

	Net unrealised gains/losses reserve \$	Contributed Equity \$	Reserves – asset realisation \$	Accumulated Losses \$	Total \$
As at 1 July 2006	(38,680)	27,906,461	133,598	(33,953,883)	(5,952,504)
Loss for the year	(2,500)	-	-	(69,372)	(71,872)
As at 30 June 2007	<u>(41,180)</u>	<u>27,906,461</u>	<u>133,598</u>	<u>(34,023,255)</u>	<u>(6,024,376)</u>

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2007 PARENT COMPANY

	Net unrealised gains/losses reserve \$	Contributed Equity \$	Reserves – asset realisation \$	Accumulated Losses \$	Total \$
As at 1 July 2006	(38,680)	27,906,461	133,598	(33,994,074)	(5,992,695)
Loss for the year	(2,500)	-	-	(72,926)	(75,426)
As at 30 June 2007	<u>(41,180)</u>	<u>27,906,461</u>	<u>133,598</u>	<u>(34,067,000)</u>	<u>(6,068,121)</u>

The statements of changes in equity are to be read in conjunction with the accompanying notes.



# MERIDIAN OIL NL AND ITS CONTROLLED ENTITIES

## Notes to the financial statements for the year ended 30 June 2007

### NOTE 1 CORPORATE INFORMATION

The financial report of Meridian Oil NL (the Company) for the year ended 30 June 2007 was authorised for issue in accordance with a resolution of the directors on 11 December 2008.

Meridian Oil NL is a No Liability company incorporated in Australia. The consolidated financial statements comprise the financial statements of Meridian Oil NL and its subsidiary as at 30 June each year (the Group). In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

### NOTE 2 STATEMENT OF ACCOUNTING POLICIES

#### (a) Basis of preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with requirements of the *Corporations Act 2001* and Australian Accounting Standards. The financial report has also been prepared on a historical cost basis, except for certain assets and liabilities, which have been measured at fair value.

The financial report is presented in Australian dollars.

#### (b) Statement of compliance

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

#### (c) Basis of Consolidation

The consolidated financial statements comprise the financial statements of Meridian Oil NL and its subsidiary as at 30 June each year.

The financial statements of the subsidiary company are prepared for the same reporting period as the parent company, using consistent accounting policies.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profits and losses from intra-group transactions have been eliminated in full.

#### (d) Foreign currency translation

Both the functional and presentation currency of Meridian Oil NL is Australian dollars. The Group calculates foreign exchange gains and losses in accordance with the provisions of relevant Australian Accounting Standards.

#### (e) Taxation

The Company has adopted the liability method of tax-effect accounting. Income tax expense shown in the profit and loss account is calculated on the operating profit before tax adjusted for items which, due to treatment under income tax legislation create permanent differences between accounting profit and taxable income.

Deferred income tax liability and future income tax benefits represent the expected future tax effect of timing differences which occur when items of revenue or expenditure are included in the determination of accounting profit in periods different to the periods in which those items are assessable or allowable for income tax purposes.

# MERIDIAN OIL NL AND ITS CONTROLLED ENTITIES

## Notes to the financial statements for the year ended 30 June 2007 (con't)

### NOTE 2 STATEMENT OF ACCOUNTING POLICIES (con't)

(e) Taxation (con't)

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond any reasonable doubt. In respect of companies incurring losses, future income tax benefits are not brought to account unless in the opinion of the directors realisation of the benefits is virtually certain.

(f) Cash and cash equivalents

Cash and cash equivalents in the balance sheet and the statement of cash flows comprise cash in hand and at bank, and short term deposits that are readily convertible to known amounts of cash.

(g) Trade and other receivables

Trade and other receivables are recognised at fair value.

(h) Available-for-sale securities

Available-for-sale investments are those non-derivative financial assets, principally equity securities, that are designated as available-for-sale. After initial recognition, available for sale securities are measured at fair value with gains or losses recognised as a separate component of equity until the investment is derecognised or until the investment is deemed to be impaired, at which the cumulative gain or loss previously reported in equity is recognised in profit or loss.

The fair values of equities that are actively traded in organised financial markets are determined by reference to quoted market bid prices at the close of business on the balance sheet date.

(i) Trade and other payables

Trade and other payables are carried at cost and are unsecured. They represent liabilities for goods and services provided prior to the end of the financial year that are unpaid.

(j) Going concern

Meridian Oil NL has no independent sources of income and is currently financially dependent on its major shareholder, James Boyd Berry, to meet ongoing financial requirements. This shareholder has committed to continue providing financial support and not require repayment of its current loan account until Meridian Oil NL is in a position to meet all its financial obligations. The accounts have been prepared on the going concern basis on the assumption of the continued financial support of this shareholder. The accounts do not include any adjustments relating to the recoverability and classification of liabilities that might be necessary should the entity not continue as a going concern.

# MERIDIAN OIL NL AND ITS CONTROLLED ENTITIES

## Notes to the financial statements for the year ended 30 June 2007 (con't)

### NOTE 3 ACCUMULATED LOSSES

	Consolidated		Meridian Oil NL	
	Year ended 30 June 2007	Year ended 30 June 2006	Year ended 30 June 2007	Year ended 30 June 2006
	\$	\$	\$	\$
Accumulated losses at start of the financial year	(33,953,883)	(33,940,412)	(33,994,074)	(33,971,736)
Loss for the financial year	(69,372)	(13,471)	(72,926)	(22,338)
Accumulated Losses at end of the financial year	<u>(34,023,255)</u>	<u>(33,953,883)</u>	<u>(34,067,000)</u>	<u>(33,994,074)</u>

### NOTE 4 PROFIT AND LOSS ITEMS

Revenues from operating activities				
Revenue from sale of goods	3,554	8,867	-	-
Total revenues from operating activities	<u>3,554</u>	<u>8,867</u>	<u>-</u>	<u>-</u>
Revenues from non-operating activities				
Interest	248	206	248	206
Sale of shares	3,150	-	3,150	-
Total revenues from non-operating activities	<u>3,398</u>	<u>206</u>	<u>3,398</u>	<u>206</u>
Total revenues	<u>6,952</u>	<u>9,073</u>	<u>3,398</u>	<u>206</u>
Expenses				
Auditors Remuneration – auditing accounts	4,500	4,000	4,500	4,000
Legal Fees	59,182	3,093	59,182	3,093
Consulting fees	3,574	13,407	3,574	13,407
Other expenses	9,068	2,044	9,068	2,044
Total expenses	<u>76,324</u>	<u>22,544</u>	<u>76,324</u>	<u>22,544</u>

### NOTE 5 INCOME TAX

No provision for income tax is necessary as the company has tax losses available from prior years. The company has future income tax benefits resulting from tax losses in respect of previous years. These have not been brought to account as any benefit will only be obtained if:

1. the Company derives future assessable income of a nature and of an amount sufficient to enable the benefit of the deductions for the losses to be realised;
2. the Company continues to comply with conditions for the deductibility imposed by the law; and
3. no changes in the tax legislation adversely affect the company and the Group in realising the benefits of the losses.

# MERIDIAN OIL NL AND ITS CONTROLLED ENTITIES

## Notes to the financial statements for the year ended 30 June 2007 (con't)

### NOTE 5 INCOME TAX (con't)

The unrecognised future income tax benefits for company are estimated to be approximately \$2.8 million (2006: approximately \$2.8 million), comprising the items detailed below:

	Meridian Oil NL	
	Year ended 30 June 2007	Year ended 30 June 2006
	\$	\$
Taxation losses	1,791,517	1,772,834
Section 122J(3) exploration and prospecting expenditure	66,672	66,672
Section 122J(4) exploration and prospecting expenditure	94,937	94,937
Section 122J(4B) exploration and prospecting expenditure	1,674	1,674
Section 124AH(4B) petroleum exploration and prospecting expenditure	839,608	839,608

### NOTE 6 PROFIT/ (LOSS) CONTRIBUTIONS

	Year ended 30 June 2007	Year ended 30 June 2006
	\$	\$
Meridian Oil NL	(72,926)	(22,338)
Meridian Resources Inc.	3,554	8,867
	<u>(69,372)</u>	<u>(13,471)</u>

### NOTE 7 CURRENT ASSETS – TRADE AND OTHER RECEIVABLES

	Consolidated		Meridian Oil NL	
	2007	2006	2007	2006
	\$	\$	\$	\$
Other receivables	<u>1,341</u>	<u>883</u>	<u>1,341</u>	<u>883</u>

### NOTE 8 NON - CURRENT ASSETS – AVAILABLE-FOR-SALE

Shares in other corporations – at cost	108,680	108,680	108,680	108,680
Less: provision for diminution in value	<u>(41,180)</u>	<u>(38,680)</u>	<u>(41,180)</u>	<u>(38,680)</u>
	<u>67,500</u>	<u>70,000</u>	<u>67,500</u>	<u>70,000</u>

The fair value of listed available-for-sale investments has been determined directly by reference to published price quotations in an active market.

# MERIDIAN OIL NL AND ITS CONTROLLED ENTITIES

## Notes to the financial statements for the year ended 30 June 2007 (con't)

### NOTE 9 NON-CURRENT ASSETS – INVESTMENTS

Shares in subsidiary:

	Place of Incorporation	Country of Operation	2007		2006	
			Equity interest		Equity interest	
			%	\$	%	\$
Meridian Resources Inc.*	State of Delaware USA	USA	100	88,842	100	88,842
Less provision for diminution in value				<u>88,842</u>		<u>88,842</u>
				<u>—</u>		<u>—</u>

\* Meridian Resources Inc. is not audited by Ernst & Young

### NOTE 10 CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

	Consolidated		Meridian Oil NL	
	2007	2006	2007	2006
	\$	\$	\$	\$
Unsecured – Other payables	90,755	79,695	90,560	79,500
- Other loans - related parties *	<u>6,029,460</u>	<u>5,968,260</u>	<u>6,071,135</u>	<u>6,004,080</u>
	<u>6,120,215</u>	<u>6,047,955</u>	<u>6,161,695</u>	<u>6,083,580</u>

\* These loans are non-interest bearing and are repayable on demand.

### NOTE 11 CONTRIBUTED EQUITY

	Consolidated		Meridian Oil NL	
	2007	2006	2007	2006
	\$	\$	\$	\$
(a) Issued and paid-up capital				
Ordinary shares fully paid	72,335,845	72,335,845	72,335,845	72,335,845
Ordinary shares paid to 40c	18,772,967	18,772,967	18,772,967	18,772,967
Ordinary shares paid to 42c	490,854	490,854	490,854	490,854
	<u>91,599,666</u>	<u>91,599,666</u>	<u>91,599,666</u>	<u>91,599,666</u>
Discount on shares	<u>(63,693,205)</u>	<u>(63,693,205)</u>	<u>(63,693,205)</u>	<u>(63,693,205)</u>
	<u>27,906,461</u>	<u>27,906,461</u>	<u>27,906,461</u>	<u>27,906,461</u>

# MERIDIAN OIL NL AND ITS CONTROLLED ENTITIES

## Notes to the financial statements for the year ended 30 June 2007 (con't)

### NOTE 11 CONTRIBUTED EQUITY (con't)

#### (b) Movement in shares on issue

	2007		2006	
	Number of shares	\$	Number of shares	\$
Ordinary shares fully paid	<u>144,671,690</u>	<u>72,335,845</u>	<u>144,671,690</u>	<u>72,335,845</u>
Ordinary shares paid to 40c				
Balance at beginning of period	<u>46,932,418</u>	<u>18,772,967</u>	<u>46,932,418</u>	<u>18,772,967</u>
Balance at end of the year	<u>46,932,418</u>	<u>18,772,967</u>	<u>46,932,418</u>	<u>18,772,967</u>
Ordinary shares paid to 42c				
Balance at beginning of the year	<u>1,168,700</u>	<u>490,854</u>	<u>1,168,700</u>	<u>490,854</u>
Balance at end of the year	<u>1,168,700</u>	<u>490,854</u>	<u>1,168,700</u>	<u>490,854</u>

#### Terms and conditions of contributed equity

Ordinary shares have the right to receive dividends and entitle their holders to one vote per share.

### NOTE 12 RESERVES

	Consolidated		Meridian Oil NL	
	2007	2006	2007	2006
	\$	\$	\$	\$
Asset realisation	133,598	133,598	133,598	133,598

#### Nature and purpose of reserve

The reserve was created to record the gain on sale of capital assets in a prior period.

Net unrealised gains/losses	(41,180)	(38,680)	(41,180)	(38,680)
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#### Nature and purpose of reserve

The reserve records gains or losses on Available-for-sale securities until the investment is derecognised or until the investment is deemed to be impaired.

### NOTE 13 COMMITMENTS

The company has no known commitments other than those disclosed in Note 10 to the financial statements.

### NOTE 14 EVENTS SUBSEQUENT TO BALANCE DATE

Legal proceedings have been settled against some former directors in regard to possible breaches of the Companies Code.

The Company is currently taking legal advice regarding the progress of action in respect of the remaining defendants.

# MERIDIAN OIL NL AND ITS CONTROLLED ENTITIES

Notes to the financial statements for the year ended 30 June 2007 (con't)

## NOTE 15 RELATED PARTY TRANSACTIONS

	Meridian Oil NL	
	Year ended 30 June 2007 \$	Year ended 30 June 2006 \$
Directors and related entities		
Fees paid for administration services, and reimbursement of expenses, to Mr I L Veale and an associated company.	3,574	13,682

## NOTE 16 SEGMENTAL INFORMATION

Australia		
Loss from ordinary activities after income tax	(72,926)	(22,338)
USA		
Profit from ordinary activities after income tax	3,554	8,867

The group generally accounts for intersegmental sales and transfers as if the sales or transfers were to third parties at current market prices. Revenues are attributed to geographical areas based on the location of the assets producing the revenues.

Segment accounting policies are the same as the consolidated entities policies. During the financial year there were no changes in segmental accounting policies that had a material effect on the segment information.

## NOTE 17 AUDITORS' REMUNERATION

	Consolidated		Meridian Oil NL	
	Year ended 30 June 2007 \$	Year ended 30 June 2006 \$	Year ended 30 June 2007 \$	Year ended 30 June 2006 \$
Amounts received or due and receivable by Ernst & Young Australia for:				
- an audit or review of the financial report of the entity and any other entity in the consolidated entity	4,500	4,000	4,500	4,000
- other services	-	-	-	-
	<u>4,500</u>	<u>4,000</u>	<u>4,500</u>	<u>4,000</u>

# MERIDIAN OIL NL AND ITS CONTROLLED ENTITIES

## Notes to the financial statements for the year ended 30 June 2007 (con't)

### NOTE 18 NOTES TO THE STATEMENT OF CASH FLOWS

	Consolidated		Meridian Oil NL	
	Year ended 30 June 2007	Year ended 30 June 2006	Year ended 30 June 2007	Year ended 30 June 2006
	\$	\$	\$	\$
Reconciliation of the net operating loss after tax to the net cash flow used in operations				
Net loss	(69,372)	(13,471)	(72,926)	(22,338)
Profit on sale of investments	(3,150)	-	(3,150)	-
Changes in assets and liabilities:				
Trade and other receivables	(458)	(159)	(458)	(159)
Trade and other payables	11,060	3,500	11,060	3,500
Net cash flow used in operating activities	<u>(61,920)</u>	<u>(10,130)</u>	<u>(65,474)</u>	<u>(18,997)</u>

### NOTE 19 FINANCIAL INSTRUMENTS

#### (a) Interest rate risk

The entity's exposure to interest rate risks and the effective interest rates of financial assets and financial liabilities both recognised and unrecognised at the reporting date are as follows:

Financial instruments	Floating interest rate		Non interest bearing		Total carrying amount as per the Balance Sheet	
	2007 \$	2006 \$	2007 \$	2006 \$	2007 \$	2006 \$
<b>(i) Financial Assets</b>						
Cash assets	26,998	24,568	-	-	26,998	24,568
Available-for-sale financial assets	-	-	67,500	70,000	67,500	70,000
Other receivables	-	-	1,341	883	1,341	883
Total financial assets	<u>26,998</u>	<u>24,568</u>	<u>68,841</u>	<u>70,883</u>	<u>95,839</u>	<u>95,451</u>
<b>(ii) Financial Liabilities</b>						
Other payables	-	-	90,755	79,695	90,755	79,695
Other loans	-	-	6,029,460	5,968,260	6,029,460	5,968,260
Total financial liabilities	<u>-</u>	<u>-</u>	<u>6,120,215</u>	<u>6,047,955</u>	<u>6,120,215</u>	<u>6,047,955</u>

#### (b) Fair Values

All financial assets and liabilities have been recognised at balance date at their approximate net fair values.



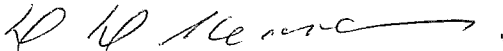
# MERIDIAN OIL NL AND ITS CONTROLLED ENTITIES

## DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Meridian Oil NL, I state that:

- (a) the financial statements, notes the additional disclosures included in the directors' report designated as audited of the Company and of the consolidated entity are in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2007 and of their performance for the year ended on that date, and
  - (ii) complying with Accounting Standards and Corporations Act 2001; and
- (b) the Company is dependent on a major shareholder to provide funds to meet operating costs. The Company is unable to pay its debts as and when they fall due if continuing financial accommodation is not reached with the major shareholder in regard to monies owing to that shareholder.

Signed on behalf of the directors:



D Devenish-Meares

Director

Sydney

12 December 2008

## Auditor's Independence Declaration to the Directors of Meridian Oil NL

In relation to our audit of the financial report of Meridian Oil NL for the financial year ended 30 June 2007, 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 cursive script that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in cursive script that reads 'M. Elliott'.

Michael Elliott  
Partner  
12 December 2008

## Independent auditor's report to the members of Meridian Oil NL

We have audited the accompanying financial report of Meridian Oil NL, which comprises the balance sheet as at 30 June 2007, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

### Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with the 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 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. In Note 2, the directors also state that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards as issued by the International Accounting Standards Board. The directors are also responsible for the remuneration disclosures contained in the directors' report.

### Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards and International Standards on Auditing. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Independence

In conducting our audit we have met 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 Opinion

In our opinion:

1. the financial report of Meridian Oil NL is in accordance with the *Corporations Act 2001*, including:
  - i giving a true and fair view of the financial position of Meridian Oil NL and the consolidated entity at 30 June 2007 and of their performance for the year ended on that date; and
  - ii complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.
2. the financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

A stylized, handwritten signature of the Ernst & Young firm.

Ernst & Young

A handwritten signature of Michael Elliott.

Michael Elliott  
Partner  
Sydney

12 December 2008