



**BURLESON**  
ENERGY LIMITED

ACN 117 770 475

**Half Year Financial Report**

**31 December 2007**

## **CORPORATE DIRECTORY**

### **DIRECTORS**

John McAlwey (*Non Executive Chairman*)  
Andrew Kugler, Jr (*Non Executive Director*)  
Michael Sandy (*Executive Director*)

### **COMPANY SECRETARY**

Malcolm Smartt

### **REGISTERED OFFICE**

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77 St Georges Tce  
PERTH WA 6000

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Website: [www.burlesonenergy.com](http://www.burlesonenergy.com)

### **SOLICITORS TO THE COMPANY**

Blakiston & Crabb  
1202 Hay Street  
WEST PERTH WA 6005

### **SHARE REGISTRY**

Advanced Share Registry Services Pty Ltd  
110 Stirling Hwy  
NEDLANDS WA 6009

### **AUDITORS**

BDO Kendalls Audit & Assurance (WA) Pty Ltd  
128 Hay St  
SUBIACO WA 6008

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This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2007, and any public announcements made by Burleson Energy Ltd during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

## **DIRECTORS' REPORT**

The Directors present their report together with the consolidated financial report for the half-year ended 31 December 2007 and the audit review report thereon.

### **Directors**

The following persons were directors of Burleson Energy Ltd during the whole of the half year up to the date of this report:

Mr John McAlwey  
*Non-Executive Chairman - Appointed 28 February 2006*

Mr Michael Sandy  
*Executive Director – Appointed 1 February 2006*

Dr Andrew Kugler Jr.  
*Non-Executive Director – Appointed 28 February 2006*

### **Results of Operations**

The net loss of the consolidated entity for the six months to 31 December 2007 amounted to \$11,559 (Half year ended 31 December 2006: \$246,024).

### **Review of Operations**

In the half year to end December 2007 Burleson Energy (BUR) evolved from an exploration company to a production company. Burleson Energy has interests in leases in four Texas counties (Burleson, Grimes, Montgomery and Brazos) comprising more than 25,000 acres within the prolific Giddings Field. The two main project areas are in Burleson County and the Champions area.

BUR is currently drilling the fourth well in a programme of development wells targeting fractured Austin Chalk reservoirs. The first three wells (YPU1, Rocket 2 and Jet 3) are on production while the fourth spudded on 1 January 2008.

#### **Well 1: Yegua Properties Unit 1 Burleson County**

*(BUR Working Interest (WI) 40%, Paying Interest (PI) 40%, Net Revenue Interest (NRI) 31.13%)*

The well commenced gas and condensate production and sales in early July. To the end of December 2007 it had produced a total of 223 million cubic feet of gas and 6575 barrels of condensate.

Gas from this area is rich in petroleum products. These products are split-out of the gas, and additional payment is received for the products. BUR's latest payments are for November, 2007 when US\$10.71/mcf was received for the gas and products combined.

The price received for condensate is approximately the same as that for the West Texas Intermediate (WTI) marker. Condensate is stored in tanks and transported by road tankers to a nearby hub. The WTI price as at early January was ~ US\$92.70.

There is a two month lag between gas and condensate sales and receipt of payment.

#### **Well 2: Rocket 2 Champions Area**

*(BUR PI 20%, WI 17.5%, NRI 13.13%)*

The well commenced production in early November 2007 and by end 2007 had produced and sold 182 mmcf of gas.

The price received for Champions area gas is typically about US\$1.00/mcf below the Houston Ship Channel price posted on the first day the production month.

**Well 3: Jet 3 Champions Area**

*(BUR PI 40%, WI 37.5% NRI 29.25%)*

Prior to drilling the Jet 3 well BUR elected to increase its equity (to 40% up from 20% PI). The well commenced gas production on 13 January 2008.

**Well 4: Marlin 1 Champions Area**

*(BUR PI 30% WI 29.69% NRI 23.0%)*

This step out development well spudded on 1 January 2008. As of 6 February 2008 it was at a depth of 18,061 feet with gas shows recorded while drilling in the reservoir. BUR has elected to take an additional 10%WI (7.5% NRI) in this well above its original 19.69% WI.

**Future wells**

Burlison Energy will continue its active drilling campaign in its area of interest. Due to the current oil price, Burlison Energy is also reviewing areas which are more prone to oil and condensate. This includes high-grading areas already under lease, and potential new areas

**Other projects**

BUR is considering a well re-entry project on existing BUR acreage. This involves re-entering a previously drilled well which has oil pay missed by earlier production phases. Significant reserves can be accessed at low cost and the current strong oil price enhances the economics of such projects.

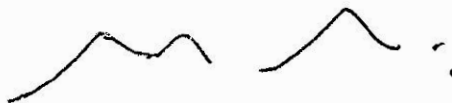
**Auditors' Independence Declaration**

A copy of the auditor's independence declaration as required under Section 307C of the Corporations Act 2001 is set out on page 15.

**Rounding of Amounts**

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

This report is made in accordance with a resolution of directors.



.....  
**Michael Sandy**  
Executive Director

Perth  
28 February 2008

**Consolidated Income Statement**  
**For the half-year ended 31 December 2007**

		<b>Consolidated</b>	
		<b>31 Dec 2007 \$000</b>	<b>31 Dec 2006 \$000</b>
	Note		
<b>Revenue from continuing operations</b>			
Operating revenue	3	<b>758</b>	-
Interest income	3	<b>167</b>	<b>100</b>
		<u><b>925</b></u>	<u><b>100</b></u>
Operating costs:			
Depreciation		-	-
Consulting Fees		<b>60</b>	<b>95</b>
ASX and share registry expenses		<b>49</b>	<b>22</b>
Administration		<b>443</b>	<b>122</b>
Legal and professional expenses		<b>3</b>	<b>42</b>
Directors Fees		<b>24</b>	<b>24</b>
Exchange Rate Losses		<b>358</b>	<b>41</b>
Total Expenses		<u><b>937</b></u>	<u><b>346</b></u>
<b>Loss from continuing operations before income tax</b>	3	<u><b>12</b></u>	<u><b>246</b></u>
Income tax expense		-	-
<b>Loss attributable to members of Burlison Energy Ltd after income tax</b>		<u><b>12</b></u>	<u><b>246</b></u>
Basic loss per share – cents		<u><b>.0001</b></u>	<u><b>.006</b></u>
Diluted loss per share – cents		<u>NA</u>	<u>NA</u>

*The above consolidated income statement should be read in conjunction with the accompanying notes.*

**Consolidated Balance Sheet**  
**As at 31 December 2007**

	Note	Consolidated	
		31 Dec 07 \$000	30 Jun 07 \$000
<b>ASSETS</b>			
Current Assets			
Cash and cash equivalents	4	5,185	12,231
Trade and other receivables		9	9
<b>Total Current Assets</b>		<b>5,194</b>	<b>12,240</b>
Non-Current Assets			
Exploration and evaluation expenditure	10	7,747	5,731
Development costs	11	3,706	-
<b>Total Non-Current Assets</b>		<b>11,453</b>	<b>5,731</b>
<b>Total Assets</b>		<b>16,647</b>	<b>17,971</b>
<b>LIABILITIES</b>			
Current Liabilities			
Trade and other payables		11	1,323
Borrowings (Convertible Notes)		1,950	3,750
<b>Total Current Liabilities</b>		<b>1,961</b>	<b>5,073</b>
<b>Total Liabilities</b>		<b>1,961</b>	<b>5,073</b>
<b>Net Assets</b>		<b>14,686</b>	<b>12,898</b>
<b>Equity</b>			
Issued capital	5	16,049	14,249
Reserves		208	208
Accumulated losses		(1,571)	(1,559)
<b>Total Equity</b>		<b>14,686</b>	<b>12,898</b>

*The above consolidated balance sheet should be read in conjunction with the accompanying notes.*

**Consolidated Statement of changes in equity  
For the half-year ended 31 December 2007**

	<b>Issued Capital \$000</b>	<b>Accumulated Losses \$000</b>	<b>Option Reserve \$000</b>	<b>Total \$000</b>
<b>CONSOLIDATED ENTITY</b>				
<b>As at 1 July 2007</b>	14,249	(1,559)	208	12,898
Loss for the period	-	(12)	-	(12)
Total recognised income and expense for the period	-	(12)	-	(12)
Issue of shares/options	1,800	-	-	1,800
Capital raising costs	-	-	-	-
<b>At 31 December 2007</b>	<b>16,049</b>	<b>(1,571)</b>	<b>208</b>	<b>14,686</b>

**Consolidated Statement of changes in equity  
For the half-year ended 31 December 2006**

	<b>Issued Capital \$000</b>	<b>Accumulated Losses \$000</b>	<b>Option Reserve \$000</b>	<b>Total \$000</b>
<b>CONSOLIDATED ENTITY</b>				
<b>As at 1 July 2006</b>	4,797	(138)	-	(4,660)
Loss for the period	-	(246)	-	(246)
Total recognised income and expense for the period	-	(246)	-	(246)
Issue of shares/options	-	-	208	208
Capital raising costs	(3)	-	-	(3)
<b>At 31 December 2006</b>	<b>4,794</b>	<b>(384)</b>	<b>208</b>	<b>(4,618)</b>

*The consolidated statement of changes in equity should be read in conjunction with the accompanying notes.*

**Consolidated Statements of cash flows**  
**For the half-year ended 31 December 2007**

	Note	Consolidated	
		31 Dec 2007 \$'000	31 Dec 2006 \$'000
<b>Cash flows from operating activities</b>			
Receipts from product sales		758	-
Cash payments in the course of operations		(926)	(293)
Payments for exploration and evaluation expenditure		(7,046)	(1,968)
Interest received		168	100
<b>Net cash flows (used in) operating activities</b>		<u>(7,046)</u>	<u>(2,161)</u>
<b>Cash flows from investing activities</b>			
Investment		-	-
Payments to acquire fixed assets		-	-
<b>Net cash flows (used in) investing activities</b>		<u>-</u>	<u>-</u>
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares		-	12,507
Capital raising costs		-	(3)
<b>Net cash flows from financing activities</b>		<u>-</u>	<u>12,504</u>
<b>Net increase / (decrease) in cash and cash equivalents</b>		(7,046)	10,343
<b>Cash and cash equivalents at beginning of the half-year</b>		12,231	4,092
<b>Cash and cash equivalents at end of the half-year</b>	4	<u>5,185</u>	<u>14,435</u>

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

## NOTES TO THE FINANCIAL STATEMENTS

### 1 Basis of preparation of half-year report

This general purpose financial report for the interim financial half-year reporting period ended 31 December 2007 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Act 2001.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2007 and any public announcements made by Burlison Energy Ltd during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

### 2 Segment information

#### (a) Primary reporting format – geographical segments

	Segment revenues		Segment Result	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Australia	167	100	(590)	(206)
United States	758	-	578	(40)
<b>Total</b>	<b>925</b>	<b>100</b>	<b>(12)</b>	<b>(246)</b>

### 3 Loss for the half-year before income tax

	Half-year	
	2007	2006
	\$'000	\$'000

The following revenue and expense items are relevant in explaining the financial performance for the interim period:

#### (a) Revenue

Revenue from sale of gas	758	-
Interest received – other persons	167	100

#### (b) Expenses

Depreciation expense	-	-
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#### 4 Cash and cash equivalents

	31 Dec 07 \$'000	30 June 07 \$'000
Cash at bank	5,185	12,231
Cash deposits	-	-

#### Reconciliation of cash and cash equivalents

Cash at the end of the financial period as shown in the Statement of Cash Flows is reconciled to items in the balance sheet as follows:

Cash and cash equivalents	5,185	12,231
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#### 5 Issued Capital

Reconciliation of movement in issued capital attributable to equity holders of the parent.

#### Ordinary shares issued

	31 Dec 2007 Number of shares	31 Dec 2007 \$	30 Jun 2007 Number of shares	30 Jun 2007 \$
Opening balance – 1 July	91,764,629	14,249,202	41,500,000	4,797,908
Shares issued	19,643,425	1,800,077	50,264,629	9,451,294
<b>Closing balance</b>	<b>111,408,054</b>	<b>16,049,279</b>	<b>91,764,629</b>	<b>14,249,902</b>

#### Movement in B Class shares

	31 Dec 2007 Number of shares	31 Dec 2007 \$	30 Jun 2007 Number of shares	30 Jun 2007 \$
Opening balance	75	75	75	75
Shares converted	(75)	(75)	-	-
<b>Closing balance</b>	<b>-</b>	<b>-</b>	<b>75</b>	<b>75</b>

Each B Class Share entitles the holder to convert into 120,000 Shares on or before 31 August 2009 (the Expiry Date).

The Shares to be issued upon conversion of the B Class Share will have the same terms as other shares on issue. The B Class Shares have no dividend rights, are not transferable and are not redeemable at the election of the holder

### Movement in B Class options

	31 Dec 2007	31 Dec 2007	30 Jun 2007	30 Jun 2007
	Number of options	\$	Number of options	\$
Opening balance	75	-	75	-
Options exercised	(75)	-	-	-
<b>Closing balance</b>	<b>-</b>	<b>-</b>	<b>75</b>	<b>-</b>

Each B Class Option entitles the holder to convert into 120,000 Options on or before 31 August 2009 (the Expiry Date).

### Movement in C Class shares

	31 Dec 2007 Shares	31 Dec 2007 \$	30 Jun 2007 Shares	30 Jun 2007 \$
Opening balance	50	-	50	-
Shares converted	-	-	-	-
<b>Closing balance</b>	<b>50</b>	<b>-</b>	<b>50</b>	<b>-</b>

Each C Class Share entitles the holder to convert into 150,000 Shares on or before 31 December 2010 (the Expiry Date).

The Shares to be issued upon conversion of the B Class Share will have the same terms as other shares on issue. The B Class Shares have no dividend rights, are not transferable and are not redeemable at the election of the holder

### Movement in Unlisted Options

	31 Dec 2007 Options	31 Dec 2007 \$	30 Jun 2007 Options	30 Jun 2007 \$
Opening balance	4,600,000	-	4,600,000	-
Options issued (conversion of B Class options)	9,000,000	-	-	-
<b>Closing balance</b>	<b>13,600,000</b>	<b>-</b>	<b>4,600,000</b>	<b>-</b>

Each Option entitles the holder to subscribe for one Share at an issue price of \$0.25 on or before 31 October 2010. No options expired unexercised during the period ending 31 December 2007

### Movement in Listed Options

	31 Dec 2007 Options	31 Dec 2007 \$	30 Jun 2007 Options	30 Jun 2007 \$
Opening balance	41,500,000	207,500	-	-
Options issued	-	-	41,500,000	207,500
<b>Closing balance</b>	<b>41,500,001</b>	<b>207,500</b>	<b>23,350,000</b>	<b>207,500</b>

Each Option entitles the holder to subscribe for one Share at an issue price of \$0.25 on or before 31 August 2010. No options expired unexercised during the period ending 31 December 2007

## 6 Convertible Notes

### Movement in Convertible Notes

	31 Dec 2007 Notes	31 Dec 2007 \$	30 Jun 2007 Notes	30 Jun 2007 \$
Opening balance	3,750,000	3,750,000	4,000,000	4,000,000
Notes converted	1,800,000	1,800,000	250,000	250,000
<b>Closing balance</b>	<b>1,950,000</b>	<b>1,950,000</b>	<b>3,750,000</b>	<b>3,750,000</b>

The Convertible Notes were issued at \$1 each and have a coupon rate of 10%. They can be converted at any time into ordinary shares at the volume weighted average share price on the ASX for the preceding 30 trading days. The convertible notes are unsecured.

## 7 Contingent Liabilities

Pursuant to the Burleson County participation agreement, payments for a share of the costs, contingent on the acquisition of additional leases, is payable by the company. The estimated contingent liability is US\$57,247.

On 6 July 2007 Burleson elected to participate in well Jet #3 of which Burleson has a 37.5% working interest and after all royalties and other deductions will receive a net revenue interest of 29.25%. The estimated contingent liability is US\$168,972.

On 11 December 2007 Burleson elected to participate in well Marlin #1 of which Burleson has a 29.69% working interest and after all royalties and other deductions will receive a net revenue interest of 23.012%. The estimated contingent liability is US\$716,186.

## 8 Events occurring after balance sheet date

On 9 January 2008 Burleson converted 100,000 Convertible Notes to 699,301 ordinary shares.

On 16 January 2008 Burleson elected to increase its participation in well Marlin #1 to a 29.69% working interest and after all royalties and other deductions will receive a net revenue interest of 23.012%. The well was spudded on 1 January 2008.

Gas production and sales commenced on 11 January 2008 from the Jet #3 well at an initial rate of around 8 mmcf/d of gas. Receipt of sales revenues are lagged two months from production.

## 9 Related Party Transactions

Arrangements with related parties continue to be in place. For details on these arrangements refer to 30 June 2007 annual financial report.

**10 Exploration and evaluation costs**

	<b>Consolidated 2007</b>	<b>Consolidated 2006</b>
Balance at the beginning of the period	5,731,217	-
Acquisitions	136,869	-
Additions	5,585,440	-
Transferred to development costs	(3,706,424)	-
<b>Balance at 31 December 2007</b>	<b>7,747,102</b>	<b>-</b>

	<b>Consolidated 2007</b>	<b>Consolidated 2006</b>
Balance at the beginning of the period	568,672	-
Acquisitions	1,764,166	568,672
Additions	3,398,379	-
Transferred to development costs	-	-
<b>Balance at 30 June 2007</b>	<b>5,731,217</b>	<b>568,672</b>

**11 Development Costs**

	<b>Consolidated 2007</b>	<b>Consolidated 2006</b>
Balance at the beginning of the period	-	-
Transferred from exploration and evaluation	3,706,424	-
<b>Balance at 31 December 2007</b>	<b>3,706,424</b>	<b>-</b>

	<b>Consolidated 2007</b>	<b>Consolidated 2006</b>
Balance at the beginning of the period	-	-
Transferred from exploration and evaluation	-	-
<b>Balance at 30 June 2007</b>	<b>-</b>	<b>-</b>

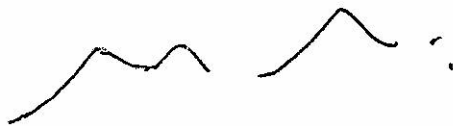
## Directors Declaration

In the opinion of the Directors of Burleson Energy Limited:

1. the financial statements and notes set out on pages 6 to 13 are in accordance with the *Corporations Act 2001*, including;
  - (a) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements ; and
  - (b) giving a true and fair view of the financial position of the consolidated entity as at 31 December 2007 and of its performance for the half-year ended on that date; and
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

Dated at Perth this 28 day of February 2008



.....  
Michael Sandy  
Executive Director



BDO Kendalls

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28 February 2008

The Directors  
Burleson Energy Limited  
Level 22, 77 St Georges Terrace  
PERTH WA 6000

Dear Sirs

**DECLARATION OF INDEPENDENCE BY BRAD MCVEIGH TO THE DIRECTORS OF BURLESON ENERGY LIMITED**

As lead auditor for the review of Burleson Energy Limited for the half-year ended 31 December 2007, I declare that to the best of my knowledge and belief, there have been:

- no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- no contraventions of any applicable code of professional conduct in relation to the review.

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

**BG McVeigh**  
Director

**BDO Kendalls Audit & Assurance (WA) Pty Ltd**  
Perth, Western Australia



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

We have reviewed the accompanying half-year financial report of Burleson Energy Limited, which comprises the condensed balance sheet as at 31 December 2007, and the condensed income statement, condensed statement of changes in equity and condensed cash flow statement for the 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 in order for the disclosing entity to lodge the half-year financial report with the Australian Securities and Investments Commission.

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

The directors of the disclosing 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 designing, implementing 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 an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the disclosing entity's financial position as at 31 December 2007 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 Burleson Energy Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

## Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001* would be in the same terms if it had been given to the directors at the time that this auditor's review report was made.

## Conclusion

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

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

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

BDO Kendalls  
BM Veigh

### BG McVeigh

Director

Perth, Western Australia

Dated this 28<sup>th</sup> day of February 2008