

ENI AUSTRALIA LIMITED
DIRECTORS' REPORT
AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2009

REGISTERED OFFICE

Eni House
10 Ebury Bridge Road
London SW1W 8PZ

Registered Number: 1020949

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COMPANIES HOUSE

ENI AUSTRALIA LIMITED

DIRECTORS AND REGISTERED OFFICE

BOARD OF DIRECTORS

L Ciarrocchi
A Baldassarre
N Keenan
M Talamonti

SECRETARY AND REGISTERED OFFICE

F Dal Bello
Eni House
10 Ebury Bridge Road
LONDON SW1W 8PZ

CHARTERED ACCOUNTANTS AND STATUTORY AUDITORS

PricewaterhouseCoopers LLP
32 Albyn Place
ABERDEEN AB10 1YL

REGISTERED IN ENGLAND NO: 1020949

ENI AUSTRALIA LIMITED

DIRECTORS' REPORT

The directors present their report and the audited financial statements of the company for the year ended 31 December 2009

Principal activities

The company's principal activity continues to be exploration, development and production of oil and gas reserves in Australia

Results and dividends

The results for the year are set out on page 7 of the financial statements. The loss for the financial year was \$6,969,000 (2008 – \$38,303,000) and this was transferred to reserves. During the year no dividend was paid (2008 – none)

Business review and future company developments

During the year the company's producing asset, the Woollybutt Oil Field, had significant downtime due to planned dry-dock repairs and upgrades on the Floating Production, Storage and Offtake vessel (FPSO), Four Vanguard. There was no production from May 2009 until the end of the year. It is anticipated that the FPSO will be back producing in March 2010. It is anticipated to keep the FPSO operational for the remaining life of the Woollybutt Oil Field until expected abandonment in 2013.

There were no exploration wells drilled by Eni Australia Ltd during 2009, with exploration focusing on preliminary preparation for the 3D seismic which will be shot on the Albers Block permits (WA-362-P, WA-363-P, WA-386-P, WA-387-P) during 2010. After further evaluation, the Vesta-1 well in AC/P-21 was written off. Additionally all other exploration costs incurred during 2009 were expensed during the period.

Principal risks and uncertainties

The management of the business and the execution of the company's strategy are subject to a number of risks, set out in the notes to the financial statements. The company has adopted the most stringent standards, in accordance with Eni Group requirements, for the evaluation and management of industrial and environmental risks.

Branches outside the UK

The company has a branch office registered in Perth, Australia.

Key performance indicators

Key performance indicators are established each year in a business plan which covers a number of strategic, operational, HSE and finance objectives for the operations of the Eni Group in the United Kingdom. The business plan is approved at Eni Group level, and key performance indicators of the Eni Group are disclosed in the Eni S.p.A. Group annual report, which is publicly available.

Post balance sheet events

There have been no events after the balance sheet date.

DIRECTORS' REPORT

Directors

The present directors of the company are listed on page 1 and have held office throughout the year with the following exceptions

- E Agostinelli resigned as director on 9 October 2009
- A Baldassarre was appointed as director on 9 October 2009

Directors interest

The directors are aware of their duties under sections 171 to 177 of the Companies Act 2006. In performing their duties during the year, the directors acted having regard to those matters considered under section 172 of the Companies Act 2006. Furthermore, the directors do not have any related-party transactions and actual or potential interest in proposed transactions to declare other than by virtue of their directorships in other affiliated group companies.

Financial instruments

Details on the use of financial instruments and financial risk management are included in the relevant notes in the financial statements.

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. In preparing these financial statements, the directors have also elected to comply with IFRSs, issued by the International Accounting Standards Board (IASB). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

ENI AUSTRALIA LIMITED

DIRECTORS' REPORT

Provision of information to auditors

Each director, as at the date of this report, has confirmed that insofar as they are aware there is no relevant audit information (that is, information needed by the company's auditors in connection with preparing their report) of which the company's auditors are unaware, and they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information

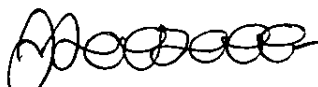
Elective Regime

Elective resolutions pursuant to the Companies Act 1985 (as amended), to dispense with the obligation to appoint auditors on an annual basis, with the requirement to hold Annual General Meetings and to lay accounts before the company at general meetings, were passed prior to 1 October 2007. These provisions became the default position under the Companies Act 2006.

Auditors

Due to the Eni Group policy of rotating auditors every nine years, PricewaterhouseCoopers LLP will not be re-appointed. Following a formal tender process by the Eni Group, Ernst & Young LLP were selected as their replacement. Ernst & Young indicated their willingness to act and their appointment will be proposed at the next directors' Meeting/General Meeting.

By order of the Board



F. Dal Bello
Secretary

9 March 2010

ENI AUSTRALIA LIMITED

INDEPENDENT AUDITORS' REPORT

Independent auditors' report to the members of Eni Australia Limited

We have audited the financial statements of Eni Australia Limited for the year ended 31 December 2009 which comprise the Income Statement, the Balance Sheet, the Cash Flow Statement, the Statement of Changes in Shareholders' Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on pages 3 to 4 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2009 and of its loss and cash flows for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

ENI AUSTRALIA LIMITED

INDEPENDENT AUDITORS' REPORT

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



Mark Higginson (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Aberdeen
9 March 2010

ENI AUSTRALIA LIMITED

INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2009

	<i>Notes</i>	2008 \$'000	2009 \$'000
Revenue	2	120,613	48,998
Other income	3	47,749	44,843
Total revenue		<u>168,362</u>	<u>93,841</u>
Other service costs and expenses	4	(93,120)	(49,138)
Labour costs	7	(26,739)	(30,086)
Depreciation, amortisation and impairments	11/12	<u>(105,545)</u>	<u>(33,838)</u>
Operating loss	5	(57,042)	(19,221)
Interest payable and similar charges	8	(1,711)	(1,553)
Interest receivable and similar income	9	<u>1,167</u>	<u>263</u>
Loss before taxation		(57,586)	(20,511)
Taxation	10	<u>19,283</u>	<u>13,542</u>
Loss for the year		<u>(38,303)</u>	<u>(6,969)</u>

The current and prior year results have been derived wholly from continuing operations

The company has not disclosed a statement of comprehensive income as there were no changes in equity during the period, other than changes resulting from transactions with owners in their capacity as owners

ENI AUSTRALIA LIMITED

**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2009**

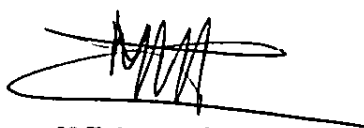
	Share Capital \$ 000	Other Reserves \$ 000	Retained Earnings \$ 000	Shareholders' Equity \$ 000
Balance at 1 January 2008	32,199	21,000	48,700	101,899
Net loss for 2008	-	-	(38,303)	(38,303)
Balance at 31 December 2008	32,199	21,000	10,397	63,596
Net loss for 2009	-	-	(6,969)	(6,969)
Balance at 31 December 2009	32,199	21,000	3,428	56,627

**BALANCE SHEET
AS AT 31 DECEMBER 2009**

	Notes	2008 \$'000	2009 \$'000
Assets			
Current assets			
Inventories	13	5,958	6,568
Trade and other receivables	14	78,501	50,801
Current tax receivable		-	3,159
Cash and cash equivalents	15	55,340	34,277
		<u>139,799</u>	<u>94,805</u>
Non current assets			
Intangible assets	11	21,490	4,450
Property plant and equipment	12	57,707	51,943
Deferred tax asset	17	8,285	10,585
		<u>87,482</u>	<u>66,978</u>
Total Assets		<u>227,281</u>	<u>161,783</u>
Liabilities			
Current liabilities			
Trade and other payables	16	93,779	46,384
Current tax liabilities		3,663	-
		<u>97,442</u>	<u>46,384</u>
Non current liabilities			
Deferred tax liability	17	28,565	12,169
Provisions	18	37,678	46,603
		<u>66,243</u>	<u>58,772</u>
Total Liabilities		<u>163,685</u>	<u>105,156</u>
Shareholders' equity			
Share capital	19	32,199	32,199
Other reserves	21	21,000	21,000
Retained earnings	20	10,397	3,428
Total shareholders' equity		<u>63,596</u>	<u>56,627</u>
Total shareholders' equity and liabilities		<u>227,281</u>	<u>161,783</u>

The financial statements from page 7 to 29 were approved by the Board on 9 March 2010

On behalf of the Board



M Talamonti
Director

ENI AUSTRALIA LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2009

	Notes	2008 \$'000	2009 \$'000
Cash flows from operating activities			
Net loss		(38,303)	(6,969)
Adjustments for:			
Tax credit for the year	10	(19,283)	(13,542)
Exploration costs written off	11	68,270	7,556
Depreciation and amortisation	11/12	37,275	26,282
Interest receivable	9	(1,167)	(263)
Interest payable	8	1,711	1,553
Change in working capital:			
Increase in inventories	13	(2,653)	(610)
Decrease / (increase) in trade and other receivables	14	(18,825)	27,700
(Decrease) / increase in trade and other payables	16	35,078	(47,395)
Decrease in provisions	18	(186)	(193)
Cash (used in) / generated from operating activities		61,917	(5,881)
Interest payable	8	(476)	(470)
Interest receivable	9	1,167	263
Tax (paid) / refund		12,791	(11,976)
Net cash (used in) / generated from operating activities		75,399	(18,064)
Cash flows from investing activities			
Purchase of intangible assets	11	(53,143)	(2,904)
Purchase of property, plant and equipment	12	(28,196)	(95)
Net cash used in investing activities		(81,339)	(2,999)
Net decrease in cash and cash equivalents		(5,940)	(21,063)
Cash and cash equivalents at 1 January	15	61,280	55,340
Cash and cash equivalents at 31 December	15	55,340	34,277

STATEMENT OF ACCOUNTING POLICIES

A summary of the principal accounting policies, all of which have been applied consistently throughout the year is set out below

General Information

The company is a limited liability company incorporated and domiciled in the UK

The company acts as a participant in a consortia involved in the exploration and exploitation of oil and gas in Australia

As a participant, the company receives from the operators, returns of income, expenditure, assets and liabilities of the consortia, the company's shares of which are incorporated into its accounting records

The financial statements reflect the company's share of each activity as a participant in consortia as governed by their joint operating agreement

Basis of preparation

These financial statements have been prepared in accordance with IFRS as adopted by the European Union, IFRIC Interpretations and the Companies Act 2006 as applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention

- **Standards, amendments and interpretations effective in 2009 but not relevant**
 - IFRS 2, 'Amendment to vesting conditions and cancellations',
 - IFRS 8, 'Operating segments', and
 - IAS 32, 'Amendment puttable financial instruments'
- **The company has adopted the following new and amended IFRSs as of 1 January 2009**
 - IFRS 7, 'Financial instruments – Disclosures' (amendment) – effective 1 January 2009',
 - IAS 1 (revised), 'Presentation of financial statements' – effective 1 January 2009, and
 - IAS 23 (Amendment), 'Borrowing costs' - This amendment had no impact on the financial statements
- **Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the company**
 - IAS 38 (amendment), 'Intangible Assets'
 - IFRS 5 (amendment), 'Non-current assets held for sale and discontinued operations'
 - IAS 1 (amendment), 'Presentation of financial statements'
- **Standards, amendments and interpretations to existing standards that are not yet effective and not relevant for the company's operations**
 - IFRS 2 (amendments), 'Group cash-settled share-based payment transaction' (effective from 1 January 2010),
 - IFRS 3 (revised), 'Business combinations' (effective from 1 July 2009),
 - IAS 27 (revised), 'Consolidated and separate financial statements' (effective from 1 July 2009), and
 - IFRIC 17, 'Distribution of non-cash assets to owners' (effective on or after 1 July 2009)

STATEMENT OF ACCOUNTING POLICIES

Revenue recognition

Revenue represents the company's share of oil, condensate and gas production sold and is stated exclusive of value added tax and similar levies. Revenue is recognised when the amount can be reliably measured, and it is probable the future economic benefits will flow to the company. The company recognises revenue on its share of oil, condensates, and gas production sold when the product has reached the processing terminal.

Interest income is recognised on a time proportion basis.

Other operating income comprises revenue from the provision of services, and other miscellaneous income. This income is recognised when the services are provided.

Revenues from crude oil and natural gas production from properties in which the company has an interest together with other producers are recognised on the basis of the company net working interest in those properties (entitlement method). Differences between the company net working interest volume and actual production volumes are recognised at current prices at period end.

Financial Instruments

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are classified as trade and other receivables and cash and cash equivalents in the balance sheet. Loans and receivables are carried at amortised cost using the effective interest method.

Trade Receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the company will not be able to collect all amounts due, according to the original terms. The amount of the provision is recognised in the income statement.

Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Related party transactions

The company has complied with the requirements of International Accounting Standard ("IAS") 24 – Related party transactions in these financial statements. Transactions with related parties are disclosed in each relevant note.

Provisions

Provisions are recognised when (i) there is a current obligation (legal or constructive), as a result of a past event, (ii) it is probable that the settlement of that obligation will result in an outflow of resources embodying economic benefits, and (iii) the amount of the obligation can be reliably estimated.

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the balance sheet date or to transfer it to third parties at that time.

STATEMENT OF ACCOUNTING POLICIES

Decommissioning provision

The estimated cost of dismantling the production and related facilities and site restoration at the end of the economic life of each field is recognised in full at the commencement of oil and gas production as a decommissioning provision. The amount recognised is the present value of the estimated future restoration cost, and an offsetting tangible fixed asset is also recognised. The increase in the provision with the passage of time (unwinding of discount) is recognised as interest expense. The asset is depreciated on a unit of production basis. Changes to the present value of the estimated future restoration cost are accounted for as adjustments to the provision and the fixed asset.

Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the asset. Property, plant and equipment are depreciated on a straight line basis over its estimated useful life as follows:

- Office assets, fixtures and fittings 3 years
- IT hardware 2 years

Property, plant and equipment includes the company's share of expenditure in respect of exploration, appraisal and development costs of fields where a decision to exploit their reserves has been made, field development programme approval has been granted and capital expenditure incurred when the fields are in production. Interest costs incurred during the development stage of fields are capitalised from the date at which field development programme approval is granted until production commences.

These assets, except proven mineral interests, are depreciated using the unit of production method based on proved developed oil and gas reserves for each field in production at the balance sheet date. Proven mineral interests are depreciated using the unit of production method based on proved developed and undeveloped oil and gas reserves for each field in production at the balance sheet date. When there is a change in the estimated total recoverable proved developed reserves of a field, the undepreciated cost is written off over the revised remaining reserves.

An impairment review is carried out at each year end in accordance with International Accounting Standard (IAS) 36 – impairment of assets. This review is based on assessments of the future net cash flows for each field calculated by utilising the company's estimate of proved reserves at year end, together with the company's estimates of future oil prices, future capital and operating costs and future decommissioning costs, required for recovering these remaining proved reserves. The calculations are performed using year end exchange rates and a discount factor is applied based on the company's cost of capital. Reversals of previously recorded impairment deficits are recognised only if supported by permanent changes in estimates utilised in the impairment review process.

STATEMENT OF ACCOUNTING POLICIES

Intangible assets – exploration and appraisal costs

Exploration costs represent the company's share of expenditure by consortia and as operator on the exploration of the sea bed for oil and natural gas up to the date of any decision to exploit various finds

Where no decision has been made by the balance sheet date to exploit a find, the costs are accounted for in accordance with the successful efforts method. The cost of drilling exploratory wells is carried forward as an intangible asset if in the opinion of the directors there is a reasonable prospect of development of the related fields commencing within three years of completion of drilling. Costs of exploratory dry holes are written off at the time that the wells are determined to be dry and all licence fees, geological and geophysical expenses are written off as incurred.

Where a decision has been made to exploit a find, the exploration costs are carried forward. In the period after a decision has been made to exploit a find but before field development programme approval has been granted, any pre-development costs that are incurred are also capitalised and carried forward. When field development programme approval is granted, the exploration and pre-development costs of that field are reclassified as tangible assets.

Exploration wells that are being drilled at the year end are included in fixed assets as drilling in progress until the results of the drilling are determined.

Proved oil and gas reserves

Proved oil and gas reserves are the estimated quantities of crude oil, natural gas and natural gas liquids which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions, that is, prices and costs as at the date that the estimate is made.

- a) Reservoirs are considered proved if economic producibility is supported by either actual production or conclusive formation tests. The area of a reservoir considered proved includes (a) that portion delineated by drilling and defined by gas-oil or oil-water contacts, if any, or both, and, (b) the immediately adjoining portions not yet drilled, but which can be reasonably judged as economically productive on the basis of available geological and engineering data. In the absence of information on fluid contacts, the lowest known structural occurrence of hydrocarbons controls the lower proved limit of the reservoir.
- b) Reserves that can be produced economically through the application of improved recovery techniques (such as fluid injection) are generally only included in the proved classification if successful testing by a pilot project, or the operation of an installed programme in the reservoir, provides support for the engineering analysis on which the project or programme was based.
- c) Estimates of proved reserves do not include the following: (a) crude oil, natural gas and natural gas liquids that may become available from known reservoirs but are classified separately as indicated additional reserves, (b) crude oil, natural gas and natural gas liquids, the recovery of which is subject to reasonable doubt because of uncertainty as to geology, reservoir characteristics, or economic factors, (c) crude oil, natural gas and natural gas liquids that may be recovered from oil shales, coal, gilsonite and other such sources.

STATEMENT OF ACCOUNTING POLICIES

Proved developed oil and gas reserves

Proved developed oil and gas reserves are reserves that can be expected to be recovered through existing wells with existing equipment and operating methods. Additional oil and gas expected to be obtained through the application of fluid injection, or other improved recovery techniques, for supplementing the natural forces and mechanisms of primary recovery will generally be included as proved developed reserves only after testing by a pilot project, or after the operation of an installed programme, has confirmed through production response that increased recovery will be achieved.

Proved undeveloped reserves

All other proved reserves which do not meet the definition of proved developed reserves.

Probable reserves

Probable reserves are those reserves which are not yet 'proved', but are estimated to have better than a 50% chance of being technically and economically producible.

Possible reserves

Those reserves which at present cannot be regarded as 'probable', but which are estimated to have a significant but less than 50% chance of being technically and economically producible.

Inventories

Inventories are stated at the lower of cost and net realisable value and represent the company's share of stocks belonging to the consortia of which it is a member.

Cash and cash equivalents

Cash and cash equivalents include the company's current bank accounts and short-term deposits held with the Eni Coordination Center S.A. are included in this classification.

Foreign currencies

Transactions denominated in a foreign currency are converted to US Dollars at rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies have been translated at the rates ruling at the balance sheet date. The resulting exchange gains or losses are recognised in the income statement with the exception of differences arising on the consolidation of branches held in foreign currencies, which are taken directly to reserves.

The functional and reporting currency of the company is US Dollars as the majority of its assets and transactions are US dollar denominated. The year end exchange rate in AUD Dollars is 0.8993 (2008 - 0.6846).

STATEMENT OF ACCOUNTING POLICIES

Taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Petroleum resource rent tax

Petroleum resource rent tax is provided on the taxable profits of fields subject to petroleum resource rent tax at a rate of 40%.

Provision for deferred petroleum resource rent tax is made using the liability method. As petroleum resource rent tax is largely specific to individual fields and field lives are finite, provision is made in full for those fields expected to pay significant tax. Provision is made for timing differences in respect of capital and revenue expenditure and the decommissioning and restoration provision.

Operating leases

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term, except where the period to the review date on which the rent is first expected to be adjusted to the prevailing market rate is shorter than the full lease term, in which case the shorter period is used.

STATEMENT OF ACCOUNTING POLICIES

Use of accounting estimates, judgements and assumptions

The company's Financial Statements are prepared in accordance with IFRS. These require the use of estimates and assumptions that affect the assets, liabilities, revenues and expenses reported in the financial statements, as well as amounts included in the notes thereto, including discussion and disclosure of contingent liabilities. Estimates made are based on complex or subjective judgements, past experience and other assumptions deemed reasonable in consideration of the information available at the time. The accounting policies and areas that require the most significant judgements and estimates to be used in the preparation of the Financial Statements are in relation to the accounting for oil and natural gas activities, specifically in the determination of proved and proved developed reserves, impairment of fixed assets, intangible assets, decommissioning provision, pensions and other post-retirement benefits, and recognition of environmental liabilities. Although the company uses its best estimates and judgements, actual results could differ from the estimates and assumptions used. A summary of significant estimates follows:

a) Oil and gas activities

Engineering estimates of the company's oil and gas reserves are inherently uncertain. Although there are authoritative guidelines regarding the engineering criteria that must be met before estimated oil and gas reserves can be designated as "proved", the accuracy of any reserve estimate is a function of the quality of available data and engineering and geological interpretation and judgement.

Oil and natural gas reserves have a direct impact on certain amounts reported in the Financial Statements. Estimated proved reserves are used in determining depreciation and depletion expenses and impairment expense. Depreciation rates on oil and gas assets using the units of production basis are determined from the ratio between the amount of hydrocarbons extracted in the quarter and proved developed reserves existing at the end of the quarter increased by the amounts extracted during the quarter.

b) Impairment of assets

Eni assesses its tangible assets and intangible assets, including goodwill, for possible impairment if there are events or changes in circumstances that indicate the carrying values of the assets are not recoverable. Such indicators include changes in the Eni Group's business plans, changes in commodity prices leading to unprofitable performance and, for oil and gas properties, significant downward revisions of estimated proved reserve quantities.

Determination as to whether and how much an asset is impaired involves management estimates on highly uncertain matters such as future commodity prices, the effects of inflation and technology improvements on operating expenses, production profiles and the outlook for global or regional market supply and demand conditions for crude oil, natural gas, commodity chemicals and refined products.

STATEMENT OF ACCOUNTING POLICIES

Use of accounting estimates, judgements and assumptions (continued)

c) Decommissioning Provision

Obligations to remove tangible equipment and restore land or seabed require significant estimates in calculating the amount of the obligation and determining the amount required to be recorded at present value in the consolidated financial statements. Estimating future asset retirement obligations is complex. It requires management to make estimates and judgements with respect to removal obligations that will come to term many years into the future and contracts and regulations are often unclear as to what constitutes removal.

In addition, the ultimate financial impact of environmental laws and regulations is not always clearly known as asset removal technologies and costs constantly evolve in the countries where the company operates, as well as political, environmental, safety and public expectations.

The subjectivity of these estimates is also increased by the accounting method used that requires entities to record the fair value of a liability for asset retirement obligations in the period when it is incurred (typically, at the time, the asset is installed at the production location).

The recognised asset retirement obligations are based on future retirement cost estimates and incorporate many assumptions such as expected recoverable quantities of crude oil and natural gas, abandonment time, future inflation rates and the risk-free rate of interest adjusted for the company's credit costs.

Pension

The company operates a defined contribution scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. Contributions payable for the year are charged in the income statement.

NOTES TO THE FINANCIAL STATEMENTS

1 Parent undertakings

The company's immediate parent undertaking is Eni International B V a company incorporated in The Netherlands

The company's ultimate parent undertaking, Eni S p A , a company incorporated in Italy, will produce consolidated financial statements for the year ended 31 December 2009 which will be available from Eni S p A – Exploration & Production Division, Direzioni e Uffici, Via Emilia 1, 20097, San Donato Milanese, PO Box 12069, (20100) Milano

The parent company of the largest and smallest group into which the company is consolidated is Eni S p A

2 Revenue

All crude oil sales are made to a related party, Eni Trading & Shipping B V , who are responsible for the ultimate sales and marketing of the crude oil to third parties

3 Other income

	2008 \$'000	2009 \$'000
General and administration services – recharges to associated companies		
Eni Australia B V	23,743	22,293
Eni JPDA 03-13 Limited	942	795
Eni Gas and Power LNG Australia B V	32	751
Eni Timor Leste S p A	2,698	3,317
Eni JPDA 06-105 Pty Ltd	14,369	7,748
General and administration services – third parties	5,965	9,939
	<u>47,749</u>	<u>44,843</u>

4 Other service costs and expenses

	2008 \$'000	2009 \$'000
Eni S p A	8,023	4,777
Eni UK Limited	129	93
Eni Insurance Limited	406	339
Third parties	84,562	43,929
	<u>93,120</u>	<u>49,138</u>

NOTES TO THE FINANCIAL STATEMENTS

5 Operating loss

Operating loss is stated after charging the following amounts in relation to the branch, included within other service costs and expenses

	2008 \$'000	2009 \$'000
Auditors' remuneration – audit services	55	65
Operating lease charges	19,612	10,818

In 2009 and 2008 the audit fees for the head office were borne by Eni UK Limited. For the purpose of disclosure, a fair allocation of the audit fee for the office would be £5,570 (2008 - £4,620)

6 Directors' remuneration

The director's emoluments were as follows

	2008 \$'000	2009 \$'000
Emoluments	788	979

The amounts for remuneration include the following in respect of the highest paid director

	2008 \$'000	2009 \$'000
Emoluments	788	791

7 Labour costs and employee information

	2008 \$'000	2009 \$'000
Wages and salaries	24,272	27,742
Pension costs	2,467	2,344
	26,739	30,086

The average monthly number of persons employed by the company during the year, excluding contracted staff, was 144 (2008 – 114)

ENI AUSTRALIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

8 Interest payable and similar charges

	2008 \$'000	2009 \$'000
Unwinding of discount in relation to decommissioning provision (note 18)	1,235	1,083
Other interest payable – third parties	476	470
	<u>1,711</u>	<u>1,553</u>

9 Interest receivable and similar income

	2008 \$'000	2009 \$'000
Bank Interest		
Eni Coordination Center S A	201	120
Third parties	966	143
	<u>1,167</u>	<u>263</u>

10 Taxation

	2008 \$'000	2009 \$'000
Current tax		
Foreign tax – current year	8,049	-
Foreign tax – prior year adjustment	(10,427)	5,154
Total current tax	<u>(2,378)</u>	<u>5,154</u>
Deferred foreign tax	(16,905)	(18,696)
Total tax	<u>(19,283)</u>	<u>(13,542)</u>

Factors affecting tax credit for the year

The tax assessed for the period is lower (2008 – lower) than the standard rate of corporation tax in the UK of 28% (2008 – 28.5%) The differences are explained below

	2008 \$'000	2009 \$'000
Loss before taxation	(57,586)	(20,511)
Taxation on loss before taxation @ 28% (2008 – 28.5%)	(16,412)	(5,743)
Accelerated capital allowances and other timing differences	16,412	5,743
Foreign taxation	(8,856)	(18,696)
Adjustment to foreign tax in respect of prior period	(10,427)	5,154
Tax credit	<u>(19,283)</u>	<u>(13,542)</u>

NOTES TO THE FINANCIAL STATEMENTS

11 Intangible assets

Exploration & appraisal costs

	2008 \$'000	2009 \$'000
Cost		
At 1 January	53,075	38,513
Additions	53,143	2,904
Exploration costs and licence fees written off	(68,270)	(7,556)
Change to abandonment asset	565	2,307
Disposals	-	(266)
At 31 December	38,513	35,902
Amortisation		
At 1 January	5,739	17,023
Charge for year	11,284	14,695
Disposals	-	(266)
At 31 December	17,023	31,452
Net book value at 31 December	21,490	4,450

12 Property, plant and equipment

	Oil & gas assets \$'000	Office Equipment \$'000	Total \$'000
Cost			
At 1 January 2008	122,189	3,890	126,079
Change to abandonment asset	615	-	615
Additions	27,535	661	28,196
Disposals	-	(7)	(7)
At 31 December 2008	150,339	4,544	154,883
Change to abandonment asset	5,728	-	5,728
Additions	-	225	225
Disposals	(130)	(766)	(896)
At 31 December 2009	155,937	4,003	159,940
Depreciation			
At 1 January 2008	68,311	2,878	71,189
Charge for the year	25,491	500	25,991
Disposals	-	(4)	(4)
At 31 December 2008	93,802	3,374	97,176
Charge for the year	11,083	504	11,587
Disposals	-	(766)	(766)
At 31 December 2009	104,885	3,112	107,997
Net book value			
At 31 December	51,052	891	51,943
At 1 January	56,537	1,170	57,707

ENI AUSTRALIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

13 Inventories

	2008 \$'000	2009 \$'000
Materials and supplies	5,958	6,568

14 Trade and other receivables

	2008 \$'000	2009 \$'000
Trade receivables	18,772	1,489
Amounts owed by related parties		
Eni Australia B V	4,557	2,854
Eni JPDA 03-13 Limited	121	442
Eni Gas and Power LNG Australia B V	721	856
Eni Timor Leste S p A	441	2,288
Eni JPDA 06-105 Pty Limited	-	41
Eni Indonesia Limited	96	44
Other debtors	38,846	41,441
Prepayments and accrued income	14,947	1,346
	78,501	50,801

As of 31 December 2009, no trade receivables were impaired and no provision was made against them (2008 - \$nil) All trade and other receivables were fully performing and none were past due (2008 - \$nil)

The carrying amount of the company's trade and other receivables are denominated in the following currencies

	2008 \$'000	2009 \$'000
US Dollars	34,634	29,471
Australian Dollars	43,867	21,330

The carrying amount of related parties receivables is denominated in the following currencies

	2008 \$'000	2009 \$'000
US Dollars	817	900
Australian Dollars	5,119	5,625

NOTES TO THE FINANCIAL STATEMENTS

14 Trade and other receivables (continued)

The maximum exposure to credit risk at the reporting date is the fair values of each class of receivable mentioned above. The company does not hold any collateral security. The company believes that the carrying amounts are a reasonable approximation to the fair value.

Credit risk is the potential exposure of the company to loss in the event of non-performance by a counterparty. The credit risk arising from the company's normal commercial operations is controlled according to guidelines established by the Eni Group. The company has not experienced material non-performance by any counterparty. As of 31 December 2009 the company has no significant concentrations of credit risk. The maximum exposure to credit risk is equal to the carrying amount of the trade and other receivables.

15 Cash and cash equivalents

	2008 \$'000	2009 \$'000
Cash at bank and in hand		
Banque Eni S A	624	5,327
Third parties	202	236
Short term deposit		
Eni Coordination Center S A	54,514	28,714
	<u>55,340</u>	<u>34,277</u>

The effective interest rate on short-term deposits was between 0.02% and 3.82% during 2009 (2008 - 0.36% and 6.31%). All deposits mature within one month of year end.

16 Trade and other payables

	2008 \$'000	2009 \$'000
Trade creditors	14,570	14,791
Amounts owed to related parties		
Eni S p A - Division E&P	2,659	4,079
Eni Australia B V	8,310	1,349
Eni International Resources Limited	191	143
Eni Insurance Ltd	-	140
Eni UK Limited	-	33
Eni Petroleum Co Inc	8	-
Eni Trading and Shipping B V	41	-
Other Creditors	56,360	10,796
Accruals and deferred income	11,640	15,053
	<u>93,779</u>	<u>46,384</u>

Amounts owed to related parties are in respect of the provision of consultancy and other general services.

NOTES TO THE FINANCIAL STATEMENTS

17 Deferred tax (asset) / liability

Deferred tax is calculated in full on temporary differences using a tax rate of 30% (2008 – 30%) The movement on the deferred tax account is as shown below

	2008 \$'000	2009 \$'000
At 1 January	37,185	20,280
Credited to the income statement	(16,905)	(18,696)
At 31 December	20,280	1,584

Deferred tax assets and liabilities are only offset where there is a legally enforceable right of offset and there is an intention to settle the balances net The movements in deferred tax assets and liabilities during the period are shown below

Deferred tax liabilities		Accelerated Capital Allowances \$ '000	Other \$ '000	Total \$ '000
At 1 January 2009		27,982	5,674	33,656
Charged to the income statement		(828)	(2,270)	(3,098)
At 31 December 2009		27,154	3,404	30,558

Deferred tax assets		Accelerated Capital Allowances \$ '000	Other \$ '000	Total \$ '000
	Decommissioning Provision \$ '000			
At 1 January 2009	8,285	2,210	2,881	13,376
Charged / (credited) to the income statement	2,300	(40)	13,338	15,598
At 31 December 2009	10,585	2,170	16,219	28,974

All deferred tax assets have been offset against the deferred tax liabilities above with the exception of the deferred tax asset on the decommissioning provision The net deferred tax liability to be disclosed as a non-current liability is therefore \$12,169,000 (2008 - \$28,565,000)

The deferred tax asset relating to decommissioning is \$10,585,000 (2008 - \$8,285,000) and is disclosed as a non-current asset

All deferred tax assets and liabilities have been provided and there are therefore no unprovided balances to be disclosed

NOTES TO THE FINANCIAL STATEMENTS

18 Provisions

	Decommissioning provision \$'000	Lease termination \$'000	Insurance provision \$'000	Total \$'000
At 1 January 2009	29,591	7,969	118	37,678
Unwinding of discount	1,083	-	-	1,083
Change in estimated decommissioning cost	8,035	-	26	8,061
Credited to income statement	-	(219)	-	(219)
At 31 December 2009	38,709	7,750	144	46,603

Decommissioning provision

A provision of \$ 38,709,000 (2008 - \$29,591,000) has been recognised for decommissioning costs relating to producing oil fields in which the company is a participant. The provision has been estimated using existing technology, existing life of field estimates, current decommissioning cost estimates and discounted using the directors' assessment of an appropriate risk adjusted discount rate of 3.7% (2008 - 4.9%). The estimated life of the fields is 2009 - 2013.

Provision for early lease termination

The company leases a floating production vessel from a third party. As production from the Woollybutt field is now expected to cease in 2013, a termination payment will arise for which provision has been made.

Insurance provision

The provision of \$144,000 (2008 - \$118,000) relates to insurance premiums to be imposed on the group by its oil insurance provider.

19 Share capital

	2008 '000	2009 '000
Authorised, allotted and fully paid £1 ordinary equity shares	£20,000	£20,000
US Dollar equivalent (at historic rate USD / GBP 1.607)	\$32,199	\$32,199

The company's objectives when managing capital are to safeguard the company's ability to continue as a going concern in order to provide returns for the shareholder and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to its shareholder.

The company regularly reviews its capital structure on the basis of its expected capital requirements in order to achieve the defined strategic objectives and manages its capital accordingly.

The company's capital structure fully satisfies its capital requirements and has no necessity or intention of altering the current position.

NOTES TO THE FINANCIAL STATEMENTS

20 Retained earnings

	2008 \$'000	2009 \$'000
At 1 January	48,700	10,397
Loss for the year	(38,303)	(6,969)
At 31 December	10,397	3,428

21 Other reserves

	Capital contribution \$'000
At 31 December	21,000

22 Capital commitments

The company has interests in various consortia engaged in exploration and development of oil and gas. As a member of these consortia, the company is committed to pay its share of the costs of development. It is anticipated that this will involve capital expenditure in 2010 of \$nil (2009 – \$nil).

In addition to development expenditure, the company is committed to pay its share of the costs of exploration, which is estimated to involve capital expenditure in 2010 of approximately \$5.9 million (2009 – \$2.0 million).

23 Operating lease commitments

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	Land and Buildings		Others	
	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000
Leases which expire				
No later than 1 year	468	1,494	10,795	10,795
Later than 1 year and no later than 5 years	234	1,143	-	10,795
	702	2,637	10,795	21,590

NOTES TO THE FINANCIAL STATEMENTS

24 Market risk

Foreign exchange rate risk

Exchange rate risk derives from the fact that operations are conducted in currencies other than the US Dollar (in particular the Australian Dollar, Pound Sterling and Euro) and due to the time lag existing between the recording of costs and revenues denominated in currencies other than the functional currency and the actual time of the relevant monetary transaction (transaction exchange rate risk). The transaction exchange rate risk arising from payable and receivable accruals in currency's denominated in currencies other than the functional currency, is not considered to be material due to the fact that these will be realised within 30 days. An appreciation of the Australian Dollar versus the US Dollar has a negative impact on the results of operations, and vice-versa. Effective management of exchange rate risk is performed at the Group level, within the central finance department, which matches opposite positions of the Group operating subsidiaries and hedges net positions using derivatives (such as currency swaps, forwards and options). At the balance sheet date the company does not hold any derivative instruments designed to manage exchange rate risk.

At 31 December 2009, if the Australian Dollar had weakened by 10% against the US Dollar with all over variables held constant, post-tax profit for the year would have been \$2,343,000 lower (2008 - \$365,000 lower). Net equity would have been \$2,343,000 lower (2008 - \$365,000 lower).

Interest rate risk

Variations in interest rates affect the market value of financial assets and liabilities of the company. As with exchange rate risk, the company works in conjunction with the specialised finance companies of the Eni Group to mitigate interest rate risk at a group level. The company does not consider this a material risk as it has no financial debts and no investments in interest bearing instruments.

25 Price risk

Commodity risk

Eni Group results of operations are affected by changes in the prices of commodities. A decrease in oil, gas and product prices generally has a negative impact on the results of operations, and vice versa.

The guidelines of the Eni Group for the management of commodity risk contain limits to the price risk deriving from trading activities. Coordination in this area is carried out by a commodity risk assessment team operating at the Eni S.p.A. Group level.

At 31 December 2009, a hypothetical negative change of 10% in oil prices with all other variables held constant, would imply post tax profit for the year would have been \$2,787,000 lower (2008 - \$5,066,000 lower).

Liquidity risk

Liquidity risk is the risk that suitable sources of funding for the company's business activities may not be available. The company has access to a wide range of funding at competitive rates through the capital markets and banks. The company believes it has access to sufficient funding to meet currently foreseeable borrowing requirements.

Effective management of the liquidity risk has the objective of ensuring the availability of adequate funding to meet short term requirements and due obligations as well as the objective of ensuring a sufficient level of flexibility in order to fund the development plans of the company's businesses.

NOTES TO THE FINANCIAL STATEMENTS

25 Price risk (continued)

Liquidity risk (continued)

The table below analyses the company financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

As at 31 December 2009	Less than one year \$ '000	More than one year \$ '000
Trade and other payables	46,384	-

Trade and other payables will be settled on a gross basis

As at 31 December 2008	Less than one year \$ '000	More than one year \$ '000
Trade and other payables	93,799	-

Trade and other payables will be settled on a gross basis

Operational risk

The company's activities present industrial and environmental risks and are therefore subject to extensive government regulations concerning environmental protection and industrial security. The broad scope of these activities involves a wide range of operational risks such as those of explosion, fire or leakage of toxic products, and production of non biodegradable waste.

All these events could possibly damage or even destroy wells as well as related equipment and other property, cause injury or even death to persons or cause environmental damage. In addition, since exploration and production activities may take place on sites that are ecologically sensitive, each site requires a specific approach to minimise the impact on the related ecosystem, biodiversity and human health.