

ENI AUSTRALIA LIMITED
DIRECTORS' REPORT
AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2010

REGISTERED OFFICE
Eni House
10 Ebury Bridge Road
London SW1W 8PZ

Registered Number: 1020949

MONDAY



A15 *ATBB1STB* 89
28/03/2011
COMPANIES HOUSE

ENI AUSTRALIA LIMITED

DIRECTORS AND REGISTERED OFFICE

BOARD OF DIRECTORS

L Ciarrocchi
A Baldassarre
M Talamonti
F Polo

SECRETARY AND REGISTERED OFFICE

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

STATUTORY AUDITOR

Ernst & Young LLP
1 More London Place
London
SE1 2AF

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 2010

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 6 of the financial statements. The profit for the financial year was \$20,011,000 (2009 – \$6,969,000 loss) and this was transferred to reserves. During the year no dividend was paid (2009 – nil)

Business review and future company developments

The company's producing asset, 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 from May 2009 – February 2010. The production was re-started on 7th March 2010 after completion of commissioning of the facilities and new desander equipment. The facilities performance has been excellent since with 98.5% availability. Total production during 2010 (Eni equity) amounted to 1.156 MMBOE. The Woollybutt operation is expected to be extended and to continue production until May 2012 based on current reservoir modelling and economic evaluation.

The exploration activity for 2010 was primarily focused on Albers Block permits. 3D Seismic Acquisition and Processing of 4000 Sq Km has been completed for WA-362-P and WA-363-P. Currently the interpretation, prospect identification and evaluation are still ongoing. Studies are still ongoing for WA-386-P and WA-287-P.

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 of the company are set out below

	2009 \$'000	2010 \$'000	Variance
Revenue	48,998	109,001	122%
Operating profit	(19,221)	10,951	-
Net profit after tax	(6,969)	20,011	-
Net assets	56,627	76,638	35%

ENI AUSTRALIA LIMITED

DIRECTORS' REPORT

Key performance indicators (continued)

The directors consider the performance of the company to be in line with the expectations. Revenue was lower in 2009 due to the disruption in production caused by dry-dock repairs and upgrade of the FPSO from May 2009 (7 months downtime during in 2009). Production resumed in March 2010 and has been the major contributor to the uplift in revenue for 2010. Operating profits have increased as the consequence of the increased revenue. Net assets have increased in line with the increased profits for the year.

Post balance sheet events

There have been no events after the balance sheet date.

Directors

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

- N Keenan resigned as director on 15 November 2010
- F Polo was appointed as director on 15 November 2010

Certain directors benefit from qualifying third party indemnity provisions in place during the financial year and at the date of this report.

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 (EU). 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.

ENI AUSTRALIA LIMITED

DIRECTORS' REPORT

Provision of information to auditor

The directors, as at the date of this report, have 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 auditor is 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 auditor is aware of that information

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and Ernst & Young LLP will therefore continue in office

By order of the Board



F. Dal Bello
Secretary

1 March 2011

ENI AUSTRALIA LIMITED

INDEPENDENT AUDITOR'S REPORT

Independent auditor's report to the members of Eni Australia Limited

We have audited the financial statements of Eni Australia Limited for the year ended 31 December 2010 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Cash Flow Statement, the Statement of Changes in Shareholders' Equity, the Statement of Accounting Policies and the related notes 1 to 26. 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.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 3, 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 and express opinion on 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.

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 2010 and of its profit 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.

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.

Ernst & Young LLP

Jacqueline Ann Geary (Senior Statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
1 March 2011

ENI AUSTRALIA LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2010

	Notes	2009 \$'000	2010 \$'000
Revenue	2	48,998	109,001
Other income	3	44,843	46,873
Total revenue		93,841	155,874
Other service costs and expenses	4	(49,138)	(76,865)
Labour costs	7	(30,086)	(29,388)
Depreciation, amortisation and impairments	11/12	(33,838)	(38,670)
Operating income / (loss)	5	(19,221)	10,951
Interest payable and similar charges	8	(1,553)	(1,122)
Interest receivable and similar income	9	263	408
Income / (loss) before taxation		(20,511)	10,237
Taxation	10	13,542	9,774
Income / (loss) for the year		(6,969)	20,011
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income/ (loss) for the year		(6,969)	20,011

All results are from continuing operations and are attributable to the equity holders

ENI AUSTRALIA LIMITED

**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2010**

	Share Capital \$ 000	Other Reserves \$ 000	Retained Earnings \$ 000	Shareholders' Equity \$ 000
Balance at 1 January 2009	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
Net income for 2010	-	-	20,011	20,011
Balance at 31 December 2010	32,199	21,000	23,439	76,638

**BALANCE SHEET
AS AT 31 DECEMBER 2010**

	Notes	2009 \$'000	2010 \$'000
Assets			
Current assets			
Inventories	13	6,568	17,190
Trade and other receivables	14	50,801	61,762
Current tax receivable		3,159	5,648
Cash and cash equivalents	15	34,277	74,022
		94,805	158,622
Non current assets			
Intangible assets	11	4,450	3,829
Property, plant and equipment	12	51,943	30,846
Deferred tax asset	17	10,585	7,469
		66,978	42,144
Total Assets		161,783	200,766
Liabilities			
Current liabilities			
Trade and other payables	16	42,772	75,117
		46,384	75,117
Non current liabilities			
Deferred tax liability	17	12,169	-
Provisions	18	50,215	49,011
		58,772	49,011
Total Liabilities		105,156	124,128
Shareholders' equity			
Share capital	19	32,199	32,199
Other reserves	21	21,000	21,000
Retained earnings	20	3,428	23,439
Total shareholders' equity		56,627	76,638
Total shareholders' equity and liabilities		161,783	200,766

The financial statements from page 6 to 28 were approved by the Board on 1 March 2011

On behalf of the Board



M Talamonti
Director

ENI AUSTRALIA LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2010

	Notes	2009 \$'000	2010 \$'000
Cash flows from operating activities			
Net income /(loss)		(6,969)	20,011
Adjustments for:			
Tax credit for the year	10	(13,542)	(9,774)
Exploration costs written off	11	7,556	-
Depreciation and amortisation	11/12	26,282	38,670
Interest receivable	9	(263)	(408)
Interest payable	8	1,553	1,122
Change in working capital:			
Increase in inventories	13	(610)	(10,622)
(Increase)/decrease in trade and other receivables	14	27,700	(10,961)
Increase/(decrease) in trade and other payables	16	(47,395)	32,345
Decrease in provisions	18	(193)	(2,923)
Cash generated from / (used in) operating activities		<u>(5,881)</u>	<u>57,460</u>
Interest payable	8	(470)	(41)
Interest receivable	9	263	408
Exploration expenditures	11	(2,651)	(12,641)
Tax paid		<u>(11,976)</u>	<u>(1,768)</u>
Net cash generated from / (used in) operating activities		<u>(20,715)</u>	<u>43,418</u>
Cash flows from investing activities			
Purchase of intangible assets	11	(253)	(1,344)
Purchase of property, plant and equipment	12	<u>(95)</u>	<u>(2,329)</u>
Net cash used in investing activities		<u>(348)</u>	<u>(3,673)</u>
Net increase / (decrease) in cash and cash equivalents		<u>(21,063)</u>	<u>39,745</u>
Cash and cash equivalents at 1 January	15	<u>55,340</u>	<u>34,277</u>
Cash and cash equivalents at 31 December	15	<u>34,277</u>	<u>74,022</u>

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.

The financial statements have been prepared on a going concern basis.

Adoption of new and revised Standards

The following standards, amendments and interpretations to existing standards, issued by the International Accounting Standards Board (IASB) and endorsed by the EU, are effective for the first time in the current year but are not relevant to the company:

- IAS 1, 'Presentation of Financial Statements' - current/non-current classification of convertible instruments,
- IAS 27 (revised), 'Consolidated and separate financial statements' - consequential amendments arising from amendments to IFRS 3,
- IAS 36, 'Impairment of Assets' – unit of accounting for goodwill impairment test,
- IAS 38, 'Intangible Assets' – additional consequential amendments arising from revised IFRS 3,
- IAS 39, 'Financial Instruments: Recognition and Measurement' - treating loan prepayment penalties as closely related embedded derivatives and scope exemption for business combination contracts,
- IAS 39, 'Financial Instruments: Recognition and Measurement' – amendments to clarify how to apply existing principles in determining eligible hedged risks and portions,
- IFRS 1, 'First-time Adoption of International Financial Reporting Standards' – additional exemptions for First-time Adopters (Amendments),
- IFRS 2, 'Share-based payments' – amendments to clarify Group Cash-settled payment arrangements and to confirm that common control transactions and contribution of a business on formation of a JV are both outside the scope of IFRS 2,
- IFRS 3, 'Business Combinations' - comprehensive revision on applying the acquisition method,
- IFRS 8, 'Operating Segments' - disclosure about information about segment assets,
- IFRIC 9, 'Reassessment of Embedded Derivatives' - embedded derivatives in contracts acquired in business combinations, joint venture formations and common control transactions remain outside the scope of IFRIC 9,
- IFRIC 16, 'Hedges of a Net Investment in a Foreign Operation' - amended to remove restriction that prevented the hedging instrument being held by the foreign operation,
- IFRIC 12, 'Service Concession Arrangements' - sets out general principles on recognising and measuring the obligations and related rights in service concession arrangements,
- IFRIC 17, 'Distributions of Non-Cash Assets to Owners' - providing guidance in respect of distributions of non-cash assets to owners by focusing on the measurement of the dividend payable, and
- IFRIC 18, 'Transfers of Assets from Customers' – clarifies the accounting for contributed property, plant and equipment by "access providers" (i.e., by the entity receiving the contribution).

STATEMENT OF ACCOUNTING POLICIES

Adoption of new and revised Standards (continued)

The following standards, amendments and interpretations to existing standards, issued by the IASB and endorsed by the EU, are applicable to the company for the first time in the current year and have been adopted by the company with no impact on the company's accounting policies or on its results or net assets included within these financial statements

- IAS 7, 'Statement of Cash Flows' – only expenditure that results initially in the recognition of an asset may be classified as a cash flow from investing activities,
- IAS 17, 'Leases' – lease of land with an indefinite economic life need not be classified as an operating lease,
- IFRS 5, 'Non-current Assets Held for Sale and Discontinued Operations' – amendments to required disclosures for non-current assets classified as held for sale or discontinued operations, and
- IAS 39, 'Financial Instruments Recognition and Measurement' – amended to state that gains or losses on a hedged instrument should be reclassified from equity to profit or loss during the period that the hedged forecast cash flows affect profit or loss

The following standards, amendments and interpretations to existing standards are not yet effective and have not been early adopted by the company in these financial statements

- IAS 24, 'Related Party Disclosures' – amendments mainly relate to the related party disclosure requirements for government-related entities, and the definition of a related party, and
- IFRS 7, 'Financial Instruments Disclosures' – amended to add an explicit statement that the interaction between qualitative and quantitative disclosures better enables users to evaluate an entity's exposure to risks arising from financial instruments,

The following standards and interpretations have been issued by the IASB, but have not been adopted by the European Commission (and published in the EU Official Journal) for their application to become mandatory

- IAS 1, 'Presentation of Financial Statements' – amended to state that for each component of equity a reconciliation from opening to closing balances is required to be presented in the statement of changes in equity, and
- IFRS 9 (Financial Instruments), effective for annual accounting periods beginning on or after 1 January 2013 IFRS 9 uses a single approach to determine whether a financial asset is measured at amortised cost or fair value

Other new interpretations and amendments to existing standards not relevant to the company that have been issued but are not yet effective are

- IAS 32, 'Financial Instruments Presentation – Classification or Rights issues' – amendments to the definition of financial liabilities to classify rights issues as equity instruments under certain conditions, effective from annual periods beginning on or after 1 February 2011,
- IFRIC 14, 'Prepayment of a Minimum Funding Requirement' – amendments effective for annual periods beginning on or after 1 January 2011,
- IFRIC 19, 'Extinguishing Financial Liabilities with Equity Instruments' – new interpretation effective for annual periods on or after 1 July 2010, and
- Further amendments of IAS 27, IAS 34, IFRS1, IFRS 3 and IFRIC 13 as part of the Improvement to IFRS (issued 2010) – effective for periods beginning on or after 1 January 2011

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.

STATEMENT OF ACCOUNTING POLICIES

Revenue recognition (continued)

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.

Over/underlift

Lifting or offtake arrangements for oil and gas produced in certain of the company's oil and gas properties are such that each participant may not receive and sell its precise share of the overall production in each period. The resulting imbalance between cumulative entitlement and cumulative production less stock is 'underlift' or 'overlift'. Underlift and overlift are valued at market value and included within debtors and creditors respectively. Movements during an accounting period are adjusted through cost of sales and revenue for overlift and underlift respectively.

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 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 Statement of Comprehensive Income.

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.

STATEMENT OF ACCOUNTING POLICIES

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.

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 entry to property, plant and equipment 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 property, plant and equipment.

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 oil and gas properties representing 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.

Intangible assets – exploration and appraisal costs

Exploration costs represent the company's share of expenditure by consortia and previously 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 commencement 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.

STATEMENT OF ACCOUNTING POLICIES

Intangible assets – exploration and appraisal costs (continued)

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 oil and gas properties within property, plant and equipment.

Exploration wells that are being drilled at the year end are included in non-current assets as exploration and appraisal costs 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.

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.

STATEMENT OF ACCOUNTING POLICIES

Probable reserves

Probable reserves are additional reserves that are less likely to be recovered than proved reserves but more certain to be recovered than Possible Reserves. These reserves are estimated to have equal to or more than 50% chance of being technically and economically producible.

Possible reserves

Possible reserves are additional reserves which analysis and geoscience and engineering data suggest are less likely to be recovered than Probable Reserves. These reserves are estimated to have a significant but equal to or less than 10% chance of being technically and economically producible.

Inventories

Inventories consist of materials and supplies. 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. Cost is determined by the weighted average method and comprises direct purchase costs, cost of production, transportation and manufacturing expenses. Net realisable value is determined by reference to prices existing at the balance sheet date.

Cash and cash equivalents

Cash and cash equivalents comprise the company's current bank accounts and cash short-term deposits with an original maturity of three months or less. Deposits held with the Eni Coordination Centre 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 Statement of Comprehensive Income 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 1.017 (2009 - 0.8993).

Taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, 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 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

STATEMENT OF ACCOUNTING POLICIES

Taxation (continued)

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.

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.

STATEMENT OF ACCOUNTING POLICIES

Use of accounting estimates, judgements and assumptions (continued)

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 property, plant and equipment, intangible assets, 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 company'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, and the discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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 financial statements. Estimating future decommissioning 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 value of a liability for decommissioning obligations in the period when it is incurred (typically, at the time, the asset is installed at the production location). The recognised decommissioning 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 discount rate.

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 Statement of Comprehensive Income.

ENI AUSTRALIA LIMITED

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 2010 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

	2009 \$'000	2010 \$'000
Recharges to affiliate companies		
Eni Australia B V	22,293	9,768
Eni JPDA 03-13 Limited	795	799
Eni Gas and Power LNG Australia B V	751	750
Eni Timor Leste S p A	3,317	4,251
Eni JPDA 06-105 Pty Ltd	7,748	19,712
Third parties	9,939	11,593
	<u>44,843</u>	<u>46,873</u>

4 Other service costs and expenses

	2009 \$'000	2010 \$'000
Parent company		
Eni S p A	4,777	5,323
Affiliate companies		
Eni UK Limited	93	126
Eni Insurance Limited	339	979
Third parties	43,929	70,437
	<u>49,138</u>	<u>76,865</u>

NOTES TO THE FINANCIAL STATEMENTS

5 Operating income/(loss)

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

	2009 \$'000	2010 \$'000
Depreciation and amortisation	33,838	38,670
Foreign exchange gain	(15,441)	(3,199)
Auditors' remuneration		
- Audit of the company's financial statements	65	83
Operating lease charges	10,818	32,417

In 2010 and 2009 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 \$8,938 (2009 - \$9,035)

6 Directors' remuneration

The director's emoluments were as follows

	2009 \$'000	2010 \$'000
Emoluments	979	713

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

	2009 \$'000	2010 \$'000
Emoluments	791	713

7 Labour costs and employee information

	2009 \$'000	2010 \$'000
Wages and salaries	27,742	26,988
Pension costs	2,344	2,400
	30,086	29,388

The average monthly number of persons employed by the company during the year, excluding contracted staff, was 136 (2009 - 144)

NOTES TO THE FINANCIAL STATEMENTS

8 Interest payable and similar charges

	2009 \$'000	2010 \$'000
Accretion in relation to decommissioning provision (note 18)	1,083	1,081
Other interest payable – third parties	470	41
	<u>1,553</u>	<u>1,122</u>

9 Interest receivable and similar income

	2009 \$'000	2010 \$'000
Bank Interest		
Affiliate company - Eni Coordination Center S A	120	119
Third parties	143	289
	<u>263</u>	<u>408</u>

10 Taxation

	2009 \$'000	2010 \$'000
Current tax		
Foreign tax – current year	-	-
Foreign tax – prior year adjustment	5,154	(721)
Total current tax	5,154	(721)
Deferred foreign tax	(18,696)	(9,053)
Total tax	<u>(13,542)</u>	<u>(9,774)</u>

Factors affecting tax credit for the year

The tax assessed for the period is lower (2009 – lower) than the standard rate of corporation tax in the UK of 28% (2009 – 28%) The differences are explained below

	2009 \$'000	2010 \$'000
Income/(loss) before taxation	(20,511)	10,237
Taxation on income/(loss) before taxation @ 28% (2009 – 28%)	(5,743)	2,866
Accelerated capital allowances and other temporary differences	5,743	(2,866)
Foreign taxation	(18,696)	(9,053)
Adjustment to foreign tax in respect of prior period	5,154	(721)
Tax credit	<u>(13,542)</u>	<u>(9,774)</u>

NOTES TO THE FINANCIAL STATEMENTS

11 Intangible assets

	2009 \$'000	2010 \$'000
Cost		
At 1 January	38,513	35,902
Additions	2,904	13,985
Exploration costs and licence fees written off	(7,556)	-
Change to decommissioning asset	2,307	274
Disposals	(266)	(1)
At 31 December	35,902	50,160
Amortisation		
At 1 January	17,023	31,452
Charge for year	14,695	14,879
Disposals	(266)	-
At 31 December	31,452	46,331
Net book value at 31 December	4,450	3,829

Intangible assets reported include exploration cost immediately written off, decommissioning cost, and IT software cost

12 Property, plant and equipment

	Oil & gas properties \$'000	Office equipment \$'000	Total \$'000
Cost			
At 1 January 2009	150,339	4,544	154,883
Change to decommissioning asset	5,728	-	5,728
Additions	-	225	225
Disposals	(130)	(766)	(896)
At 31 December 2009	155,937	4,003	159,940
Change to decommissioning asset	366	-	366
Additions	1	2,328	2,329
Disposals	-	(1)	(1)
At 31 December 2010	156,304	6,330	162,634
Depreciation			
At 1 January 2009	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
Charge for the year	23,717	74	23,791
Disposals	-	-	-
At 31 December 2010	128,602	3,186	131,788
Net book value			
At 31 December	27,702	3,144	30,846

ENI AUSTRALIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

13 Inventories

	2009 \$'000	2010 \$'000
Materials and supplies	6,568	17,190

14 Trade and other receivables

	2009 \$'000	2010 \$'000
Trade receivables- Third party	1,489	-
Affiliate companies		
Eni Australia B V	2,854	9,716
Eni Insurance	-	1,069
Eni JPDA 03-13 Limited	442	-
Eni Gas and Power LNG Australia B V	856	796
Eni Pakistan	-	17
Eni Timor Leste S p A	2,288	737
Eni JPDA 06-105 Pty Limited	41	6,517
Eni Indonesia Limited	44	41
Other debtors	41,441	41,040
Prepayments and accrued income	1,346	1,829
	50,801	61,762

The company believes that the carrying amounts are a reasonable approximation to the fair value

As of 31 December 2010, no trade receivables were impaired and no provision was made against them (2009 - \$nil) All trade and other receivables were fully performing and none were past due (2009 - \$nil)

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

	2009 \$'000	2010 \$'000
US Dollars	29,471	21,490
Australian Dollars	21,330	40,272

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

	2009 \$'000	2010 \$'000
US Dollars	900	1,127
Australian Dollars	5,625	17,766

ENI AUSTRALIA LIMITED

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 2010, 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

	2009 \$'000	2010 \$'000
Cash at bank and in hand		
Affiliate company		
Banque Eni S A	5,327	139
Third parties	236	381
Short term deposit – Affiliate company		
Eni Coordination Center S A -	28,714	73,502
	<u>34,277</u>	<u>74,022</u>

The effective interest rate on short-term deposits was between 0.08% and 3.76% during 2010 (2009 - 0.02% and 3.82%). All deposits mature within one month of year end.

The company believes that the carrying amounts are a reasonable approximation to the fair value.

16 Trade and other payables

	2009 \$'000	2010 \$'000
Trade creditors	14,791	17,459
Amounts owed to related parties		
Parent company		
Eni S p A - Division E&P	4,079	4,427
Affiliate companies		
Eni Australia B V	1,349	-
Eni International Resources Limited	143	457
Eni Insurance Ltd	140	-
Eni UK Limited	33	26
Other Creditors	7,184	35,682
Accruals and deferred income	15,053	17,065
	<u>42,772</u>	<u>75,117</u>

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

The company believes that the carrying amounts are a reasonable approximation to the fair value.

NOTES TO THE FINANCIAL STATEMENTS

17 Deferred tax

Deferred tax is calculated in full on temporary differences using a tax rate of 30% (2009 – 30%) The movement on the deferred tax account is as shown below

	2009 \$'000	2010 \$'000
At 1 January	20,280	1,584
Credited to the Statement of Comprehensive Income	(18,696)	(9,053)
At 31 December	1,584	(7,469)

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				
	Decommissioning Provision \$'000	Accelerated Capital Allowances \$'000	Other \$'000	Total \$'000
At 1 January 2009	-	27,982	5,674	33,656
Charge to income statement	-	(828)	(2,270)	(3,098)
At 1 January 2010	-	27,154	3,404	30,558
Charged to the Statement of Comprehensive Income	3,596	(16,600)	2,769	(10,235)
At 31 December 2010	3,596	10,554	6,173	20,323
Deferred tax assets				
	Decommissioning Provision \$'000	Accelerated Capital Allowances \$'000	Other \$'000	Total \$'000
At 1 January 2009	8,285	2,210	2,881	13,376
Charge to income statement	2,300	(40)	13,338	15,598
At 1 January 2010	10,585	2,170	16,219	28,974
Charged / (credited) to the Statement of Comprehensive Income	477	(994)	(665)	(1,182)
At 31 December 2010	11,062	1,176	15,554	27,792

The deferred tax asset relating to decommissioning is \$7,466,000 (2009 - \$10,585,000) and is disclosed as a non-current asset together with a deferred tax amount of \$3,000 relating to accelerated capital allowances and other time differences

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

	Leave provision \$'000	Decommissioning \$'000	Lease termination \$'000	Insurance Provision \$'000	Total \$'000
At 1 January 2009	3,612	38,709	7,750	144	50,215
Unwinding of discount	-	1,081	-	-	1,081
Change in estimate	-	639	-	-	639
Charged /(Credited) to Statement of Comprehensive Income	574	-	(3,549)	51	(2,924)
At 31 December 2010	4,186	40,429	4,201	195	49,011

Leave provision

The provision of \$4,186,000 (2009 - \$3,612,000) relates to annual leave and long leave service owed to employees. Employees will be entitled to long leave service after ten years of service, however they will be entitled to a pro-rata payment after seven years of service if the employee terminates his/her employment with the company.

Decommissioning provision

A provision of \$40,429,000 (2009 - \$38,709,000) 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 2.85% (2009 - 3.7%). 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 \$195,000 (2009 - \$144,000) relates to insurance premiums to be imposed on the company by its oil insurance provider.

19 Share capital

	2009 '000	2010 '000
Authorised, allotted and fully paid £1 ordinary equity shares	£20,000	£20,000
US Dollar equivalent	\$32,199	\$32,199

NOTES TO THE FINANCIAL STATEMENTS

19 Share capital (continued)

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.

The capital structure of the company is presented in the balance sheet. Short and medium-term funding requirements are managed through the use of an intercompany facility with Eni Coordination Centre. Longer term funding or funding for a particularly large transaction may be sourced from a combination of using the existing facility with Eni Coordination centre, parent or affiliated company loan, suitable long-term instruments, such as loans from third party, or by raising additional equity.

20 Retained earnings

	2009 \$'000	2010 \$'000
At 1 January	10,397	3,428
Income/(Loss) for the year	(6,969)	20,011
At 31 December	3,428	23,439

21 Other reserves

	2009 Capital contribution \$'000	2010 Capital contribution \$'000
At 31 December	21,000	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 2011 of \$1,120,000 (2010 – \$625,000).

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 2011 of approximately \$37 million (2010 – \$12 million).

NOTES TO THE FINANCIAL STATEMENTS

23 Operating lease commitments

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

	Land and Buildings		Others	
	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000
Leases which expire				
No later than 1 year	1,494	1,571	10,795	10,795
Later than 1 year and no later than 5 years	1,143	10,280	10,795	-
Later than 5 years	-	12,422	-	-
	<u>2,637</u>	<u>24,273</u>	<u>21,590</u>	<u>10,795</u>

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 2010, 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 \$1,275,000 lower (2009 - \$2,343,000 lower). Net equity would have been \$1,275,000 lower (2009 - \$2,343,000 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 Business 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 2010, 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 \$Nil (2009 - \$938,000 lower).

NOTES TO THE FINANCIAL STATEMENTS

25. Business risk (continued)

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.

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 2010	Less than one year \$ '000	More than one year \$ '000
------------------------	-------------------------------	-------------------------------

Trade and other payables	58,051	-
--------------------------	--------	---

Trade and other payables will be settled on a gross basis.

As at 31 December 2009	Less than one year \$ '000	More than one year \$ '000
------------------------	-------------------------------	-------------------------------

Trade and other payables	31,331	-
--------------------------	--------	---

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.

26. Comparative figures

Certain prior year figures have been reclassified to conform with the 2010 presentation. This had no impact on the loss for the year or net assets.