MONITOR
ENERGY LIMITED

Monitor Energy Limited
and
Controlled Entities

(ABN 25 009 121 644)

Annual Report
For the Year Ended
30 June 2010

CORPORATE DIRECTORY

NON-EXECUTIVE CHAIRMAN
Scott Spencer

MANAGING DIRECTOR
Jon Roestenburg

EXECUTIVE DIRECTOR
Mark Gwynne

COMPANY SECRETARY
Stephen Brockhurst

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AUDITORS
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BANKERS
Australia and New Zealand Banking Group Limited
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AUSTRALIAN SECURITIES EXCHANGE
Monitor Energy Limited shares (MHL) and options (MHLO) are listed on the Australian Securities Exchange.

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DIRECTORS' REPORT

Your Directors present their report on the Company and its consolidated entities ("Group") for the financial year ended 30 June 2010.

DIRECTORS

The names of Directors in office at any time during or since the end of the financial year are:

Mr. Scott Spencer

Mr. Jon Roestenburg

Mr. Mark Gwynne

The Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

COMPANY SECRETARY

Mr Stephen Brockhurst – B.Com (appointed 17 July, 2009)

Mr Brockhurst is an accountant with considerable corporate and company secretarial experience. He has been involved in the listing of many mineral exploration companies on the ASX.

Mr Brockhurst specialises in capital raisings, due diligence, corporate advisory, compliance and regulatory requirements.

Mr Brockhurst was a founding Director and Company Secretary of Bannerman Resources Limited from incorporation to July 2007 and Company Secretary of Ironbark Gold Limited to August 2007.

Mr Martin Stein – B.Bus, CA, ACIS (appointed 1 January 2008 and resigned 17 July, 2009)
Mr Stein is experienced in company secretarial duties in conjunction with multiple jurisdiction experience.

PRINCIPAL ACTIVITIES

The principal activity of the consolidated entity during the financial year was the exploration and evaluation of oil and gas and uranium opportunities in the Kyrgyz Republic and the Cooper Basin, South Australia, as well as the evaluation of near term production operations in other oil and gas producing basins around the world. The consolidated entity also has an interest in non-operated uranium concessions in the Kyrgyz Republic. Other than mentioned above, there were no significant changes in the nature of the entity's principal activities during the financial year.

RESULTS

The loss of the consolidated entity attributable to members amounted to $1,824,487 (2009: $6,053,618).

The consolidated entity's basic loss per share for the financial year ended 30 June, 2010 was 0.06 cents per share (2009: 0.82 cents).

DIVIDENDS

The Directors do not recommend the payment of a dividend and no amount has been paid or declared by way of a dividend to the date of this report.

REVIEW OF OPERATIONS

The financial year 2009/2010 has been a transformational one for the company. The company acquired acreage in Australia to give shareholders exposure to onshore low cost, low risk exploration. This strategic shift was an immediate success with both wells Fury-1 and Airacobra-1 intersecting hydrocarbons. While Airacobra-1 will be subject to additional studies and evaluation, Fury-1 test work is scheduled to be completed as soon as the abnormally wet weather in the Cooper Basin subsides. In addition the Company also acquired, subject to farm in, 20% of licence PEL110, also in the Cooper Basin. The licence is considered to have good exploration potential.

As part of the strategic shift, the Company decided to divest some of its interests in the Kyrgyz Republic. In October the Company announced the sale of 75% of its Uranium assets to Raisama Limited. Efforts and discussions are ongoing with interested parties to farm-out equity in the oil assets.

In the period the company also made two separate capital raisings. The first being a rights issue to raise A$3.1 million to proceed with the drilling of Fury-1 and Airacobra-1. The second capital raising in December of A$2 million is intended to fast track the testing and development of Fury-1.

DIRECTORS' REPORT

In the reporting period the company:

- Completed a farm-in agreement with Victoria Petroleum NL to drill 2 exploration wells in the highly prospective Cooper Basin block PEL115
- Completed a rights issue to shareholders to raise $3.1 million for the drilling of Fury 1 well in PEL110.
- Completed a farm-out agreement with Lion Petroleum Pty Ltd to ensure the back to back drilling of two wells in PEL115
- Has made two oil discoveries in PEL115, at Fury-1 and Airacobra-1 wells in the Cooper Basin
- In December 2009 made a strategic placement to Cape Lambert Resources Ltd to fast-track the testing and potential development of these discoveries as part of a A$2 million capital raising
- In November 2009 signed a farm-in agreement with Cooper Energy Limited to earn a 20% equity interest in Cooper Basin Block PEL 110
- In the Kyrgyz Republic finalised the sale of 75% of Business Sphere (97.5% subsidiary) of the uranium Block East Kokmoinok to Raisama Limited
- Completed fieldwork on both uranium and oil assets in the Kyrgyz Republic
- The Fury-1 test had begun but has been delayed due to abnormally high rainfall in the Cooper Basin making access to heavy vehicles impossible

PEL115

The company has a 42% equity interest in PEL 115 in Cooper Basin, South Australia. The company entered the licence through a farm-in agreement with operator Victoria Petroleum NL in September 2009 and has since satisfied its obligations under the farm-in agreement.

Fury-1

Fury -1 spudded on 21 November, 2009 reaching a total depth of 1965m on 19 December 2009, taking 30 days to complete. The well intersected the primary Murta reservoir between 1290 – 1366m, encountering a live gross interval oil zone between 1309 – 1325m. Wireline log data evaluation has established a net oil column of between 7-9m net with possible upside due to thin sand layers beyond tool resolution. It is planned that the oil zone will be tested and completed in the near future. In the secondary, Permian objective and Epsilon Formation oil sand was encountered between 1814 and 1819m, containing live oil in the sidewall core samples. This sand will also be accessed through casing during testing and will require further geological evaluation to determine its full extent and distribution away from the well as it lies between 7 – 10 degrees down-dip. The Epsilon discovery at Fury-1 is significant as the Permian intervals along the southern margin of the Cooper Basin, thought to be mature or less prospective for exploration and exploitation, may yet prove to be a bonus for explorers and in particular for the PEL115 joint venture.

Operations to complete and test the Fury-1 discovery well began on 8 June, 2010. The completion wellhead and production tubing were installed and the well was successfully perforated before the release of the rig on 24 June, 2010. Further operations at the Fury site have continued to be hampered by heavy rains and extensive flooding which have prevented the mobilisation of equipment to the site.

Airacobra-1

The second PEL115 commitment well, Airacobra-1, was spudded on 11 December 2009,reaching a total depth of 2163m on 5 January 2010, taking 29 days to drill including 11 days weather-related downtime. The well intersected the first objective in the Cretaceous Murta Formation between 1392m and 1407m, which proved to be water wet, and the second objective within the Permian sequence, including both the Epsilon and Patchawarra Formation sandstones between 2010m and the top basement at 2122m. In the second objective two oil shows were intersected in sandstones and confirmed by wireline side wall coring. The first sandstone lies within the Epsilon Formation between 2016 and 2018m, and the second in the Patchawarra Formation between 2117.5m and 2119m.

PEL110

The company signed a farm-in agreement with Cooper Energy Limited for a 20% stake in PEL110 situated on the northwest margin of the Cooper Basin. Monitor will earn 20% equity by paying 40% of the costs of one exploration well.

Equity interests upon completion of the farm-in will be as follows:

Komodo Energy Ltd (100% subsidiary of Monitor)	20%
Cooper Energy Limited	20%
Magellan	60%

The Basin has enjoyed renewed interest by companies exploring its western and north western margins with significant new discoveries by Victoria Petroleum, Beach Petroleum, Cooper Energy and Stuart Petroleum. The story of the Cooper/Eromanga Basin`s western and north-western margins is still just developing. Knowledge of the size and types of oil traps is still evolving, including the possibility of stratigraphic traps of larger size than traditional anticlines and faulted anticlines with the mature Birkhead/Hutton Formations showing strong potential. The possibility of larger discoveries, renewed focus on the Cooper-Eromanga Basin`s high exploration success rates, make the PEL 110 farm-in an attractive licence to add to the Company's growing regional portfolio. PEL110, a 1453km2 exploration licence, lies on the up-dip edge, north of previously discovered Kilearny and Telopea oil and gas fields and west of the James oil field. The main reservoirs are Jurassic and Permian, however the Jurassic Birkhead and Hutton are becoming a modern reservoir/source focus. The

PEL110 Joint Venture has identified 7 leads and prospects that have individual P50 undiscovered recoverable oil estimates ranging from 0.6 to 3.8 million barrels at the Birkhead/Hutton formation level, in similar stratigraphy as recent discoveries along the margin.

Kyrgyz Republic Oil

The company holds 100% of three licences in the Kyrgyz Republic, covering a total of area in excess of 6000km2. In the North the two licences, Tyup and East Issyk-Kul, are 200km southwest of the Junggar Basin in Xinjiang, China. In the South the At Bashi licence is 120km from the Tarim basin with over 700MBO on production.

The Company's operations in the Kyrgyz Republic have focussed on identifying a suitable seismic acquisition contractor to carry out a 400km 2D seismic program on the Issyk Kul and At Bashi Licences. The Company has ensured the safety of its personnel in conditions of political unrest in parts of the country and plans to continue its exploration program as conditions improve.

Kyrgyz Republic Uranium

In December 2009 the Company finalised and settled the sale of 75% of its interest in its wholly owned subsidiary Business Sphere LLC to Raisama Limited (listed on stock exchange on 30 November 2009 ASX:RAI). Business Sphere holds the Kashkasu II Project, located adjacent to extensive historic uranium mines which were exploited from the late 1950s to late 1960s.

Raisama has recently completed an initial drilling program comprising four diamond drill holes totalling 399m in the main mineralized zone. Multiple zones of coal seam and sandstone mineralization with potential strike extents of more than 350m of the main zone were intersected.

A second diamond drilling program was completed in the first half of 2010 at Kashkasu II. The Company's main priority now is to define the limits and extensions to this mineralisation and identify stratigraphic embayment and potential zones of uranium accumulation within the prospective stratigraphic horizons. Further exploration work, including geological mapping, surface sampling and radiometric traversing is continuing within the Project area to define additional targets and extensions of the current mineralisation for drill testing in the 2010 field season.

CORPORATE ACTIVITIES AND CHANGES IN STATE OF AFFAIRS

The company has in the period made two separate capital raisings.

The first in October 2009 was a rights issue to raise A$3.1 million to fund the drilling of Fury-1 and Airacobra-1. The company issued 1,557,695,704 shares at a price of A$0.002 per share to raise A$3.1 million before the costs of the issue.

The second capital raising in December 2009 of A$2 million is intended to fast track the testing and development of Fury-1. The placement was made to sophisticated investors, including the introduction of a cornerstone investor, being Cape Lambert Resources Ltd. The company placed 500,000,000 shares at a price of A$0.004 per share to raise A$2 million before the costs of the issue.

Post these capital raisings the company has a total of 3,630,671,408 shares on issue, as well as 1,649,350,130 outstanding options.

At the end of the reporting period the company had A$178,396 cash available and no debt.

FUTURE DEVELOPMENTS

Further information as to likely developments in the operations of the Consolidated Entity and expected results of those operations, would, in the opinion of the Directors, be speculative and prejudicial to the interests of the Consolidated Entity and its shareholders.

ENVIRONMENTAL ISSUES

The consolidated entity is aware of its environmental obligations with regards to its exploration activities and ensures that it complies with all regulations when carrying out any exploration work. The consolidated entity is not aware of any environmental breaches during the current year.

INFORMATION ON DIRECTORS

Scott Spencer	**Non-Executive Chairman**
Experience	Scott Spencer studied languages, history and politics at the University of Western Australia and St Antony's College, Oxford. He joined the Australian Foreign Service in 1972 and spent nearly 20 years working on international political and economic issues with the Australian Government. He was First Secretary at the Australian Embassy, Moscow, in 1987 – 89 and in 1990 – 93 was Regional Director of the Department of Foreign Affairs and Trade in Western Australia. He then entered the private sector, working on international resources projects. In the four years immediately before the end of the financial year he was a Director of Hardman Resources Limited, resigning from this position on 12 April 2006. Hardman Resources Ltd was an ASX/AIM listed petroleum E & P company which was AIM International Company of the Year in 2004.
Interest in Shares and Options	8,000,000 fully paid ordinary shares held by Aubrey Consulting Pty Ltd 2,500,000 fully paid ordinary shares held by Aubrey Consulting Pty Ltd ATF The Aubrey Trust 15,000,000 Class A options exercisable at $0.006 on or before 3 December, 2011 held by Aubrey Consulting Pty Ltd ATF The Aubrey Trust 15,000,000 Class B options exercisable at $0.013 on or before 3 December, 2012 held by Aubrey Consulting Pty Ltd ATF The Aubrey Trust
Directorships	Green Rock Energy Limited (29 November, 2005 to date) Hardman Resources Limited (19 July, 1994 to 12 April, 1006)
Jon Roestenburg	**Managing Director**
Experience	Jon Roestenburg is a highly experienced petroleum industry professional, having graduated in geology from Curtin University and begun work in 1976 as an exploration geologist. In 1984 he joined Schlumberger, and in 1988-95 he was a Chief Geologist with Schlumberger, covering South East Asia and China. He subsequently held senior exploration positions with Ampolex and Mobil, before becoming Managing Director of Geotransformations Pty Ltd. In this capacity he managed numerous geoscience consulting contracts with oil companies such as Murphy Oil, ConocoPhillips, OMV Australia, Daewoo International and Cairn Energy. In 2005 Jon Roestenburg completed a Master's degree in Leadership and Management at the Curtin Graduate School of Business.
Interest in Shares and Options	7,500,000 fully paid ordinary shares 5,000,000 options exercisable at $0.05 on or before 31 December, 2010 5,000,000 options exercisable at $0.075 on or before 31 December, 2011 2,500,000 options exercisable at $0.025 on or before 31 August, 2011 6,800,000 fully paid ordinary shares held by Geotransformations Pty Ltd 15,000,000 Class A options exercisable at $0.006 on or before 3 December 2011 held by Geotransformations Pty Ltd 15,000,000 Class B options exercisable at $0.013 on or before 3 December 2012 held by Geotransformations Pty Ltd
Directorships	N/A

Mark Gwynne	**Executive Director**
Experience	Mark Gwynne has been involved in gold exploration and mining for over 14 years, predominantly in Western Australia. Mark has held management positions on mine sites and in the private sector of the mining industry, including general manager of an exploration consultancy. Mark has demonstrated extensive skills in exploration and mining logistics and management.
Interest in Shares and Options	21,000,000 fully paid ordinary shares held by Silverwest Corporation Pty Ltd ATF Coral Reefers Trust 8,250,000 options exercisable at $0.025 on or before 31 August 2011 held by Silverwest Corporation Pty Ltd ATF Coral Reefers Trust 15,000,000 Class A options exercisable at $0.006 on or before 3 December, 2011 held by Silverwest Corporation Pty Ltd ATF Coral Reefers Trust 15,000,000 Class B options exercisable at $0.013 on or before 3 December, 2012 held by Silverwest Corporation Pty Ltd ATF Coral Reefers Trust
Directorships	Buka Gold Limited (26 August, 2009 to date) International Gold Fields Limited (24 April, 2009 to date) Jackson Minerals Limited (12 February, 2002 to 4 June, 2009)

REMUNERATION REPORT

Key Management Personnel Details

The following persons had authority and responsibility for planning, directing and controlling the activities of the Group during the current and prior financial years. The key management personnel of the consolidated entity are also that of the company.

Scott Spencer	Non-Executive Chairman
Jon Roestenburg	Managing Director
Mark Gwynne	Executive Director
Richard Aden	Chief Financial Officer

a) Remuneration Policy (audited)

The Board of Directors is responsible for determining and reviewing compensation arrangements for the executive team. The Board will assess the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and executive team. The Board reviewed the remuneration policy in December 2009.

Except as detailed, no Director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the Company or a related body corporate with a Director, a firm of which a Director is a member or an entity in which a Director has a substantial financial interest.

This excludes a benefit included in the aggregate amount of emoluments received or due and receivable by Directors or the fixed salary of a full time employee of the Company.

The consolidated entity is an exploration entity, and therefore speculative in terms of performance. Consistent with attracting and retaining talented Executives, Directors and Senior Executives are paid market rates associated with individuals in similar positions, within the same industry. Options are issued to Directors and executives as performance incentives and to align Director, executive and shareholder goals.

The maximum aggregate amount of fees that can be paid to Non-Executive Directors is subject to approval by shareholders at the Annual General Meeting. Fees for Non-Executive Directors are not linked to the performance of the Company.

Options Issued as Part of Remuneration

Options are issued to Directors and executives as part of their remuneration. The options are not issued based on performance criteria, but are issued to some Directors of Monitor Energy Limited and its subsidiaries to increase goal congruence between executives, Directors and shareholders.

b) Director and Executive Remuneration (audited)

The Directors of the Group received the following amounts of compensation for the current year as set out below. During the financial year there were no executives other than the Directors. There was no compensation of any type, to the Directors, other than as reported below for the provision of management services.

Director/ Key Management Personnel	Year	Short Term Salary & Fees	Short Term Total	Post Employment Superannuation	Share Based Payments	Other Benefits	Total	Performance Related	Value of Remun-eration
		$	$	$	$	$	$	%	%
Scott Spencer	2010	95,000	95,000	-	53,218	2,849	151,067	-	31%
Jon Roestenburg	2010	240,667	240,667	4,875	63,468	2,849	311,859	-	15%
Mark Gwynne	2010	113,940	113,940	7,125	59,468	2,849	183,382	-	26%
Richard Aden	2010	186,600	186,600	-	79,432	2,849	268,881	-	30%
		636,207	**636,207**	**12,000**	**255,586**	**11,396**	**915,189**		

Director/ Key Management Personnel	Year	Short Term Salary & Fees	Short Term Total	Post Employment Superannuation	Share Based Payments	Other Benefits	Total	Performance Related	Value of Remun-eration
		$	$	$	$	$	$	%	%
Scott Spencer	2009	50,000	50,000	-	-	4,163	54,163	-	-
Jon Roestenburg	2009	161,833	161,833	20,135	36,005	4,162	222,135	-	16%
Mark Gwynne	2009	136,222	136,222	12,260	-	4,162	152,644	-	-
		348,055	**348,055**	**32,395**	**36,005**	**12,487**	**428,942**		

Notes:

The fees paid to Director related entities were for the provision of management services of the particular Director, to the consolidated entity as follows:

a) Aubrey Consulting Pty Ltd, an entity associated with Scott Spencer.
b) Geotransformations Pty Ltd, an entity associated with Jon Roestenburg.

During the financial year ended 30 June, 2010, the Company paid an insurance premium of $14,247 (2009: $12,487) for directors and officers liability insurance.

c) Value of Options Issued to Directors and Executives (audited)

The following table summarises the value of options granted, exercised or lapsed during the annual reporting period to the identified Directors and executives:

Director/Key Management Personnel	Year	Options Granted Fair Vale at Grant Date (i) $	Options Exercised Value at Exercise Date $	Options Lapsed Value at Lapse Date $	Total Value of Options Granted, Exercised and Lapsed $	Value of Options Included in Remuneration for the Year $	Percentage of Total Remuneration for the Year that Consists of Options %
Scott Spencer	2010	46,968	-	-	46,968	46,968	31%
Jon Roestenburg	2010	46,968	-	-	46,968	46,968	15%
Mark Gwynne	2010	46,968	-	-	46,968	46,968	26%
Richard Aden	2010	79,432	-	-	79,432	79,432	30%

Director/Key Management Personnel	Year	Options Granted Fair Vale at Grant Date (i) $	Options Exercised Value at Exercise Date $	Options Lapsed Value at Lapse Date $	Total Value of Options Granted, Exercised and Lapsed $	Value of Options Included in Remuneration for the Year $	Percentage of Total Remuneration for the Year that Consists of Options %
Scott Spencer	2009	-	-	-	-	-	-
Jon Roestenburg	2009	-	-	-	-	36,005	16%
Mark Gwynne	2009	-	-	-	-	-	-

Notes:

(i) The value of options granted during the year is recognised in compensation over the vesting period of the grant, in accordance with Australian accounting standards.

d) Options and Rights Over Equity Instruments Granted as Compensation (audited)

Details of options over ordinary shares in the Company that were granted as compensation to each key management person during the past two years and details of options that were vested during the past two years are as follows:

Director/Key Management Personnel	Number Options Granted During 2010	Grant Date	Fair Value per Option at Grant Date $	Exercise Price per Option $	Expiry Date	Number Options Vested During 2010
Scott Spencer	15,000,000	3 December 2009	$0.0014	$0.0060	3 December 2011	15,000,000
	15,000,000	3 December 2009	$0.0017	$0.0130	3 December 2012	15,000,000
Jon Roestenburg	15,000,000	3 December 2009	$0.0014	$0.0060	3 December 2011	15,000,000
	15,000,000	3 December 2009	$0.0017	$0.0130	3 December 2012	15,000,000
Mark Gwynne	15,000,000	3 December 2009	$0.0014	$0.0060	3 December 2011	15,000,000
	15,000,000	3 December 2009	$0.0017	$0.0130	3 December 2012	15,000,000
Richard Aden	15,000,000	11 December 2009	$0.0026	$0.0060	11 December 2011	15,000,000
	15,000,000	11 December 2009	$0.0027	$0.0130	11 December 2012	15,000,000

Director/Key Management Personnel	Number Options Granted During 2009	Grant Date	Fair Value per Option at Grant Date $	Exercise Price per Option $	Expiry Date	Number Options Vested During 2009
Scott Spencer	-	-	-	-	-	-
Jon Roestenburg	-	-	-	-	-	5,000,000
Mark Gwynne	-	-	-	-	-	-

No options were granted since the end of the financial year.

e) Service Agreements (audited)

The Company has not entered into any Executive Service Agreement with any of the Directors or executives to provide services to the Company. While the Board is aware of its responsibilities with regard to Executive services agreements, the decision was made that in light of current negotiations for the acquisition of the Trinidad projects, new contracts should be deferred until completion of this transaction due to the significant change in business activity and possible change in directorships.

MEETINGS OF DIRECTORS

The number of Directors' meetings (including committees) held during the financial year and the number of meetings attended by each Director are:

	Directors' Meetings	
Director	Number Eligible to Attend	Meetings Attended
Scott Spencer	2	2
Jon Roestenburg	2	2
Mark Gwynne	2	2

There were no audit committee meetings held during or since the end of the financial year, as the audit committee function is performed by the Board as a whole.

INDEMNIFYING OFFICERS

The Company currently has a policy in place for directors and officers insurance. During the financial year ended 30 June 2010, the Company paid an insurance premium of $14,247 (2009:$ 12,487) for directors and officers liability insurance.

OPTIONS

Share Options Granted to Directors and Executives

During and since the end of the year ended 30 June 2010 up to the date of this report, there were share options issued to Directors and Executives of the Company as remuneration. Refer to Remuneration Report and Note 27.

Un-issued Shares Under Option

At the date of this report unissued ordinary shares of the Company under option to Directors and Executives of the Company are:

Expiry Date	Exercise Price	Number Shares
31 August 2011	$0.0250	10,750,000
3 December 2011	$0.0060	45,000,000
11 December 2011	$0.0060	15,000,000
31 December 2011	$0.0500	5,000,000
31 December 2011	$0.0750	5,000,000
3 December 2012	$0.0130	45,000,000
11 December 2012	$0.0130	15,000,000
		140,750,000

At the date of this report unissued ordinary shares of the Company under option to those other than Directors and Executives of the Company are:

Expiry Date	Exercise Price	Number Shares
11 March 2011	$0.0250	2,500,000
31 August 2011	$0.0250	1,461,100,130
11 December 2011	$0.0060	17,500,000
11 December 2012	$0.0130	17,500,000
11 December 2014	$0.0800	10,000,000
		1,508,600,130

Shares Issued on Exercise of Options

Number Shares	Amount Paid on Each Share
25,000	$0.0250
25,000	

The holders of such options do not have the right, by virtue of the option, to participate in any share issue or any other body corporate or registered scheme.

During the financial year ended 30 June, 2010 there were nil compensation options exercised into fully paid ordinary shares.

There has been no issue of ordinary shares as a result of the exercise of options since the end of the financial year.

Directors' holdings of shares and share options have been disclosed in the Remuneration Report.

EMPLOYEES

The consolidated entity had 16 employees as at 30 June, 2010 (2009: 19).

AUDITORS INDEPENDENCE DECLARATION

The auditor's independence declaration for the year ended 30 June 2010 has been received and can be found on page 16 of the financial report.

NON AUDIT SERVICES

The Board of Directors are satisfied that no non-audit services were performed during the year by the entity's auditors.

SUBSEQUENT EVENTS

There has not been any matter or circumstance that has arisen since 30 June, 2010 that has significantly affected, or may significantly affect, the operations of the Company, the results of those operations, or the state of affairs of the Company in subsequent financial years other than the following:

On 13 July, 2010 the Company completed a capital raising of A$1.41million via a placement to sophisticated investors (470,000,000 shares at $0.003 each).

On 29 July, 2010 the Company announced that it had entered into a binding Heads of Agreement ("HOA") to acquire the rights of SOCA Petroleum ("SOCA") for up to 90% interest in companies whose wholly owned subsidiaries hold production Licences for three blocks in producing onshore oilfields in Trinidad, as well as a major local drilling company. Current production from the fields is approximately 700 bopd, however the Company believes a minimal work program could lift production to more than 3,500 bopd within 36 months. The proposed transaction is subject to a number of conditions precedent including the approval of Monitor shareholders at an Extraordinary General Meeting, and raising sufficient capital to fund the acquisition and ongoing working capital commitments. Under the terms of the agreement the Company paid an amount of US$300,000 on 24 August, 2010 to extend the period of exclusivity to the Company. Under the terms of the HOA, the Company will (in the event that it takes up its full 90% option interest) issue up to 2,000,000,000 shares and raise up to $90,000,000 with these proceeds being used to fund the acquisition and operational expenditure.

FINANCIAL POSITION

The consolidated entity's working capital, being current assets less current liabilities, was $356,569 as at 30 June, 2010 (2009: $386,127).

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

Signed on behalf of the Board of Directors.

Scott Spencer
Non-Executive Chairman
Perth, 30 September 2010

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30 September 2010

Board of Directors
Monitor Energy Limited
35 Richardson Street
West Perth WA 6005

Dear Directors

RE: MONITOR ENERGY LIMITED

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Monitor Energy Limited.

As Audit Director for the audit of the financial statements of Monitor Energy Limited for the year ended 30 June 2010, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely
STANTONS INTERNATIONAL
(Authorised Audit Company)

J P Van Dieren
Director

Stantons International

ABN 41 103 088 697

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INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
MONITOR ENERGY LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Monitor Energy Limited, which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cashflows for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the Financial Report

The directors of the entity are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In note 3, the directors also state, in accordance with Australian Accounting Standard AASB 101 Presentation of Financial Statements, that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's responsibility

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

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

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's opinion

In our opinion:

(a) the financial report of Monitor Energy Limited is in accordance with the *Corporations Act 2001*, including:

   (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2010 and of its performance for the year ended on that date; and
   (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 3.

Emphasis of Matter Regarding Going Concern

Without qualification to the opinion expressed above, attention is drawn to the following matters:

As referred to in Note 3 to the consolidated financial statements, the consolidated financial statements have been prepared on a going concern basis. At 30 June 2010 the consolidated entity had working capital of $356,569 and had incurred a loss for the year of $1,824,487. The ability of the parent company and consolidated entity to continue as going concerns is subject to the successful recapitalisation of the parent company and consolidated entity. In the event that the Board is not successful in recapitalising the parent and consolidated entity and in raising further funds, the company and its subsidiaries may not be able to meet their liabilities as they fall due and the realisable value of the company's and its subsidiaries assets may be significantly less than book values.

Report on the Remuneration Report

We have audited the remuneration report included in pages 9 to 14 of the directors' report for the year ended 30 June 2010. The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001.* Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards

Auditor's opinion
In our opinion the remuneration report of Monitor Energy Limited for the year ended 30 June 2010 complies with section 300 A of the *Corporations Act 2001.*

STANTONS INTERNATIONAL
(An Authorised Audit Company)

Stantons International

J P Van Dieren
Director

West Perth, Western Australia
30 September 2010

DIRECTORS' DECLARATION

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 20 to 60, are in accordance with the Corporations Act 2001 and:

    a. comply with Accounting Standards;

    b. are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board, as stated in Note 3 to the financial statements; and

    c. give a true and fair view of the financial position as at 30 June, 2010 and of the performance for the year ended on that date of the company and consolidated group;

The Chief Executive Officer and Chief Finance Officer have each declared that:

a. the financial records of the company for the financial year have been properly maintained in accordance with s 286 of the Corporations Act 2001;

b. the financial statements and notes for the financial year comply with the Accounting Standards; and

c. the financial statements and notes for the financial year give a true and fair view;

In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors made pursuant to s.295(5) of the Corporations Act 2001

Scott Spencer
Non-Executive Chairman
Perth, 30 September 2010

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2010

	Note	Consolidated 2010 $	Consolidated 2009 $
Revenue			
Interest revenue	5	**20,138**	9,277
Other revenue	5	**341,957**	34,805
		362,095	44,082
Consultancy fees		**(250,740)**	(124,901)
Corporate compliance expenses		**(193,300)**	(316,721)
Depreciation expense	13	**(53,665)**	(70,153)
Employee benefits expense	5	**(717,396)**	(918,354)
Exploration expenditure expensed as incurred		**(9,858)**	(754,078)
Exploration expenditure written off		**(208,029)**	(2,922,134)
Foreign exchange gains/(losses)		**(152,596)**	(424,088)
Gain/(loss) on deconsolidation of subsidiary	24(i) 33	**614,714**	9,834
General and administrative expense		**(202,237)**	(184,122)
Investment impairment expense		**(100,167)**	-
Loan impairment expense		**(212,715)**	-
Occupancy expenses		**(98,708)**	(140,581)
Share based payments expense	5	**(381,849)**	(36,005)
Travel expenses		**(171,906)**	(209,225)
Other expenses		**(48,130)**	(7,172)
Loss before income tax expense		**(1,824,487)**	(6,053,618)
Income tax expense	6	**-**	-
Net loss attributable to members of Monitor Energy		**(1,824,487)**	(6,053,618)
Other comprehensive income			
Exchange differences arising on translation of foreign operations	19(b)	**147,981**	561,816
Income tax expense on items other comprehensive income	6	-	-
Revaluation of assets	19(c)	**(73,357)**	-
Total other comprehensive income		**74,624**	561,816
Total comprehensive loss for the period		**(1,749,863)**	(5,491,802)
Loss attributable to:			
Owners of the parent		**(1,824,487)**	(6,053,618)
Non-controlling interests		**-**	-
		(1,824,487)	(6,053,618)
Total comprehensive loss attributable to:			
Owners of the parent		**(1,749,863)**	(5,491,802)
Non-controlling interests		**-**	-
		(1,749,863)	(5,491,802)
Basic loss per share (cents per share)	20	**(0.06)**	(0.82)
Diluted loss per share (cents per share)	20	**(0.06)**	(0.82)

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2010

	Note	Consolidated 2010 $	Consolidated 2009 $
ASSETS			
Current Assets			
Cash and cash equivalents	8	**178,396**	661,658
Trade and other receivables	9	**397,912**	30,128
Inventory	10	**-**	3,342
Other assets	11	**25,540**	14,038
Total Current Assets		**601,848**	709,166
Non-Current Assets			
Other financial assets	12	**77,143**	-
Plant and equipment	13	**129,408**	166,716
Exploration and evaluation expenditure	14	**3,290,225**	-
Total Non-Current Assets		**3,496,776**	166,716
TOTAL ASSETS		**4,098,624**	875,882
LIABILITIES			
Current Liabilities			
Trade and other payables	15	**181,438**	270,163
Provisions	16	**63,841**	52,876
Total Current Liabilities		**245,279**	323,039
TOTAL LIABILITIES		**245,279**	323,039
NET ASSETS		**3,853,345**	552,843
EQUITY			
Issued capital	17	**20,395,915**	15,692,149
Reserves	19	**2,316,941**	1,895,718
Accumulated losses	18	**(18,859,511)**	(17,035,024)
TOTAL EQUITY		**3,853,345**	552,843

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2010

	Issued Capital $	Accumulated Losses $	Option Reserve $	Foreign Exchange Translation Reserve $	Revaluation Reserve $	Total Equity $
Consolidated						
Balance at 1 July, 2008	14,901,131	(10,981,406)	483,327	(360,696)	-	4,042,356
Total comprehensive loss for the period						
Loss	-	(6,053,618)	-	-	-	(6,053,618)
Other comprehensive income						
Foreign currency translation differences	-	-	-	561,816	-	561,816
Total comprehensive loss for the period	-	(6,053,618)	-	561,816	-	(5,491,802)
Transactions with owners recorded directly in equity						
Contributions by and distributions to owners						
Securities issued during the period (net of transaction costs)	791,018	-	-	-	-	791,018
Share based payments	-	-	1,211,271	-	-	1,211,271
Total Contributions by and distributions to owners	791,018	-	1,211,271	-	-	2,002,289
Balance at 30 June, 2009	**15,692,149**	**(17,035,024)**	**1,694,598**	**201,120**	**-**	**552,843**
Total comprehensive loss for the period						
Loss	-	(1,824,487)	-	-	-	(1,824,487)
Other comprehensive income						
Foreign currency translation differences	-	-	-	147,981	-	147,981
Revaluation of assets		-	-	-	(73,357)	(73,357)
Total comprehensive loss for the period	-	(1,824,487)	-	147,981	(73,357)	(1,749,863)
Transactions with owners recorded directly in equity						
Contributions by and distributions to owners						
Securities issued during the period (net of transaction costs)	4,665,629	-	-	-	-	4,665,629
Share based payments	38,137	-	346,599	-	-	384,736
Total Contributions by and distributions to owners	4,703,766	-	346,599	-	-	5,050,365
Balance at 30 June, 2010	**20,395,915**	**(18,859,511)**	**2,041,197**	**349,101**	**(73,357)**	**3,853,345**

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2010

	Note	Consolidated 2010 $	Consolidated 2009 $
Cash flows from operating activities			
Payments to suppliers and employees		**(1,792,960)**	(1,803,295)
Interest received		**20,138**	9,277
Interest paid		**(2,760)**	-
Other revenue		**1,556**	34,805
Net cash (used in) operating activities	30(a)	**(1,774,026)**	(1,759,213)
Cash flows from investing activities			
Exploration and evaluation expenditure		**(3,541,725**)	(899,163)
Proceeds from sale of plant and equipment		**17,547**	-
Payment for plant and equipment		**(52,351)**	(6,701)
Loans to associated entities		**(36,218)**	-
Receipt from sale of investments		**150,000**	-
Net cash (used in) investing activities		**(3,462,747)**	(905,864)
Cash flows from financing activities			
Proceeds from issue of securities		**5,116,016**	2,063,643
Share issue costs		**(450,387)**	(97,359)
Net cash provided by financing activities		**4,665,629**	1,966,284
Net increase/(decrease) in cash and cash equivalents		**(571,144)**	(698,793)
Cash and cash equivalents at beginning of the financial year		**661,658**	1,231,281
Net foreign exchange differences		**87,882**	129,170
Cash and cash equivalents at end of financial year	8	**178,396**	661,658

The accompanying notes form part of these financial statements.

1 General information

Monitor Energy Limited (the Company) is a listed public company, incorporated in Australia and operating in Australia and the Kyrgyz Republic.

Separate financial statements for Monitor Energy Limited as an individual entity are no longer presented as the consequence of a change to the Corporations Act 2001, however, required financial information for Monitor Energy Limited as an individual entity is included in Note 25.

2 New accounting standards for application in future periods

The AASB has issued new and amended accounting standards and interpretations that have mandatory application dates for future reporting periods. The Group has decided against early adoption of these standards. A discussion of those future requirements and their impact on the Group follows;

- AASB 9: Financial Instruments and AASB 2009-11; Amendments to Australian Accounting Standards arising from AASB 9 (AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 138, 139, 1023 & 1038 and Interpretations 10 & 121 (applicable for annual reporting periods commencing on or alter 1 January, 2013).
  These standards are applicable retrospectively and amend the classification and measurement of financial assets. The Group has not yet determined the potential impact on the financial statements. The changes made to accounting requirements include:
    - o simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;
    - o simplifying the requirements for embedded derivatives;
    - o removing the tainting rules associated with held-to-maturity assets;
    - o removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;
    - o allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument; and
    - o reclassifying financial assets where there is a change in an entity's business model as they are initially classified based on;
        - the objective of the entity's business model for managing the financial assets; and
        - the characteristics of the contractual cash flows.

- AASB 124: Related Party Disclosures (applicable for annual reporting periods commencing on or after 1 January, 2011).
  This standard removes the requirement for government related entities to disclose details of all transactions with the government and other government related entities and clarifies the definition of a related party to remove inconsistencies and simplify the structure of the standard. No changes are expected to materially affect the Group.

- AASB 2009-5; Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 & 139] (applicable for annual reporting periods commencing from 1 January, 2010).
  These standards detail numerous non-urgent but necessary changes to accounting standards arising from the IASB's annual improvements project. No changes are expected to materially affect the Group.

- AASB 2009-8; Amendments to Australian Accounting Standards - Group Cash-settled Share-based Payment Transactions [AASB 2] (applicable for annual reporting periods commencing on or after 1 January, 2010).
  These amendments clarify the accounting for group cash-settled share-based payment transactions in the separate or individual financial statements of the entity receiving the goods or services when the entity has no obligation to settle the share-based payment transaction. The amendments incorporate the requirements previously included in Interpretation 8 and Interpretation 11 and as a consequence, these two Interpretations are superseded by the amendments. These amendments are not expected to impact the Group.

- AASB 2009-9: Amendments to Australian Accounting Standards - Additional Exemptions for First-time Adopters [AASB 1] (applicable for annual reporting periods commencing on or after 1 January, 2010).
  These amendments specify requirements for entities using the full cost method in place of the retrospective application of Australian Accounting Standards for oil and gas assets, and exempt entities with existing leasing contracts from reassessing the classification of those contracts in accordance with Interpretation 4 when the application of their previous accounting policies would have given the same outcome. These amendments are not expected to impact the Group.

- AASB 2009-10: Amendments to Australian Accounting Standards - Classification of Rights Issues] AASB 132] applicable for annual reporting periods commencing on or after 1 February, 2010).
  These amendments clarify that rights, options or warrants to acquire a fixed number of an entity's own equity instruments for a fixed amount in any currency are equity instruments if the entity offers the rights, options or warrants pro-rata to all existing owners of the same class of its own non-derivative equity instruments. These amendments are not expected to impact the Group.

2 New accounting standards for application in future periods (Continued)

- AASB 2009-12: Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052] (applicable for annual reporting periods commencing on or after 1 January, 2011).
  This standard makes a number of editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of International Financial Reporting Standards by the IASB. The standard also amends AASB 8 to require entities to exercise judgment in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures. These amendments are not expected to impact the Group.
- AASB 2009-13: Amendments to Australian Accounting Standards arising from Interpretation 19 [AASB 1] (applicable for annual reporting periods commencing on or after 1 July, 2010).
  This standard makes amendments to AASB 1 arising from the issue of Interpretation 19. The amendments allow a first-time adopter to apply the transitional provisions in Interpretation 19. This standard is not expected to impact the Group.
- AASB 2009-14: Amendments to Australian Interpretation - Prepayments of a Minimum Funding Requirement [AASB interpretation 14] (applicable for annual reporting periods commencing on or after 1 January, 2011).
  This standard amends Interpretation 14 to address unintended consequences that can arise from the previous accounting requirements when an entity prepays future contributions into a defined benefit pension plan. This standard will not impact the Group.
- AASB Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments (applicable for annual reporting periods commencing on or after 1 July, 2010).
  This Interpretation deals with how a debtor would account for the extinguishment of a liability through the issue of equity instruments. The Interpretation states that the issue of equity should be treated as the consideration paid to extinguish the liability, and the equity instruments issued should be recognised at their fair value unless fair value cannot be measured reliably in which case they shall be measured at the fair value of the liability extinguished. The Interpretation deals with situations where either partial or full settlement of the liability has occurred. This Interpretation is not expected to impact the Group.

The Group does not anticipate the early adoption of any of the above Australian Accounting Standards.

3 Significant accounting policies

Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and complies with other requirements of the law.

Accounting Standards include Australian equivalents to International Financial Reporting Standards ('A-IFRS'). Compliance with the A-IFRS ensures that the consolidated financial statements and notes of the consolidated entity comply with International Financial Reporting Standards ('IFRS').

The financial statements were authorised for issue by the Directors on 30 September, 2010.

Basis of preparation

The financial report has been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars unless otherwise stated.

Going concern

This report has been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

The consolidated entity has incurred a net loss after tax for the year ended 30 June, 2010 of $1,824,487 (2009: $6,053,618) and experienced net cash outflows from operating activities of $1,774,026 (2009: $1,759,213). As at 30 June 2010, the consolidated entity had net current assets of $356,569 (2009: $386,127).

The Directors believe that there are sufficient funds to meet the consolidated entity's working capital requirements. However, the Directors recognise that the ability of the consolidated entity to continue as a going concern and to pay their debts as and when they fall due is dependent on the ability of the consolidated entity to secure additional funding.

During the year, the consolidated entity successfully raised $5,116,016 gross of capital raising costs via the issue of ordinary fully paid shares. Post 30 June 2010, the Company has raised a gross amount of $1.41 million.

Based on the above, the consolidated entity is confident that it will successfully raise additional funds to meet its financial obligation in the future period.

The Directors have reviewed the business outlook and are of the opinion that the use of the going concern basis of accounting is appropriate

3 Significant accounting policies (Continued)

as they believe the consolidated entity will achieve the matters set out above. As such, the Directors believe that they will continue to be successful in securing additional funds through debt or equity issues as and when the need to raise working capital arises.

Notwithstanding this, there is significant uncertainty whether the consolidated entity will be able to continue as a going concern.

Should the consolidated entity be unable to continue as a going concern, it may be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts different from those stated in the financial report.

The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that may be necessary should the consolidated entity be unable to continue as a going concern.

(a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation. In the separate financial statements of the Company, intra-group transactions ('common control transactions') are generally accounted for by reference to the existing (consolidated) book value of the items. Where the transaction value of common control transactions differ from their consolidated book value, the difference is recognised as a contribution by or distribution to equity participants by the transacting entities.

Non-controlling interests in the net assets (excluding goodwill) of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling interest's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the non-controlling interest's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

(b) Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the purchase method. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under AASB 3 'Business Combinations' are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with AASB 5 'Non-current Assets Held for Sale and Discontinued Operations', which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss. The non-controlling interest of shareholders in the acquiree is initially measured at the non-controlling interest's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

(c) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

(d) Employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave, and sick leave when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities recognised in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date.

3 Significant accounting policies (Continued)

(e) Financial assets

Investments are recognised and derecognised on trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs except for those financial assets classified as at fair value through profit or loss which are initially measured at fair value.

Subsequent to initial recognition, investments in subsidiaries are measured at cost in the company financial statements.

Other financial assets are classified into the following specified categories: 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period. Income is recognised on an effective interest rate basis for debt instruments other than those financial assets 'at fair value through profit or loss'.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest rate.

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset the estimated future cash flows of the investment have been impacted. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

(f) Foreign currency

Foreign currency transactions

All foreign currency transactions during the financial year are brought to account using the exchange rate in effect at the date of the transaction. Foreign currency monetary items at reporting date are translated at the exchange rate existing at reporting date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined.

Exchange differences are recognised in profit or loss in the period in which they arise except that:

Foreign operations

On consolidation, the assets and liabilities of the consolidated entity's overseas operations are translated at exchange rates prevailing at the reporting date. Income and expense items are translated at the average exchange rates for the period unless exchange rates fluctuate significantly. Exchange differences arising, if any, are recognised in the foreign currency translation reserve, and recognised in profit or loss on disposal of the foreign operation.

(g) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

i) where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or

ii) for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables. Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

3 Significant accounting policies (Continued)

(h) Impairment of assets

At each reporting date, the consolidated entity reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax 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.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately.

(i) Income tax

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for using the statement of financial position liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, branches, associates and joint ventures except where the consolidated entity is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the consolidated entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the company/consolidated entity intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the statement of comprehensive income, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

(j) Payables

Trade payables and other accounts payable are recognised when the consolidated entity becomes obliged to make future payments resulting from the purchase of goods and services.

(k) Revenue recognition

Interest revenue

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

3 Significant accounting policies (Continued)

(l) Exploration and evaluation expenditure

Exploration and evaluation activities in the area of interest have not at the reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active and significant operations in, or in relation to, the area of interest are continuing.

Capitalised exploration costs are reviewed each reporting date to whether an indication of impairment exists. If any such indication exists, the recoverable amount of the capitalised exploration costs is estimated to determine the extent of the impairment loss (if any). Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years.

Where a decision is made to proceed with development, accumulated expenditure is tested for impairment and transferred to development properties, and then amortised over the life of the reserves associated with the area of interest once mining operations have commenced. Exploration and evaluation expenditure incurred by the Group subsequent to the acquisition of the rights to explore is expensed as incurred.

(m) Interests in joint ventures

Reimbursement of the joint venture operator's costs

In many cases, the entity also incurs certain general overhead expenses in carrying out activities on behalf of the joint venture. As these costs can often not be specifically identified, joint venture agreements allow the operator to recover the general overhead expenses incurred by charging an overhead fee that is based on a fixed percentage of the total costs incurred for the year, often in the form of a management fee. Although the purpose of this recharge is very similar to the reimbursement of direct costs, the entity is not acting as an agent in this case. Therefore, the general overhead expenses and the overhead fee are recognised in the statement of comprehensive income as an expense and income respectively.

Jointly controlled assets

A jointly controlled asset involves joint control and offers joint ownership by the Consolidated Entity and other venturers of assets contributed to or acquired for the purpose of the joint venture, without the formation of a corporation, partnership or other entity. Where the Consolidated Entity's activities are conducted through jointly controlled assets, the Consolidated Entity recognises its share of the jointly controlled assets and liabilities it has incurred, its share of liabilities incurred jointly with other venturers, related revenue and operating costs in the financial statements and a share of their production.

Jointly controlled entities

A jointly controlled entity is a corporation, partnership or other entity in which each venturer holds an interest. A jointly controlled entity operates in the same way as other entities, except that a contractual arrangement established joint control. A jointly controlled entity controls the assets of the joint venture, earns its own income and incurs its own liabilities and expenses. Interests in jointly controlled entities are accounted for using the equity method.

Under the equity method, the investment in the joint venture is carried in the statement of financial position at cost plus acquisition changes it the Consolidated Entity's share of net assets of the joint venture. Goodwill relating to the joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The statement of comprehensive income reflects the Consolidated Entity's share of the results of operations of the joint venture. Where there has been a change recognised directly in the equity of the joint venture, the Consolidated Entity recognises its share of any changes and discloses this when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Consolidated Entity and the joint venture are eliminated to the extent of the interest in the joint venture.

The share of the joint venture's net profit is shown on the face of the statement of comprehensive income. This is the profit attributable to venturers in the joint venture. The financial statements of the joint controlled entities are prepared for the same reporting period as the parent entity. Where necessary, adjustments are made to bring the accounting policies in line with those of the Consolidated Entity.

(n) Plant and equipment

Plant and equipment, leasehold improvements and equipment under finance lease are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land. Depreciation is calculated on a straight line basis so as to write off the net cost or other revalued amount of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period, with the effect of any changes recognised on a prospective basis.

3 Significant accounting policies (Continued)

(o) Share based payments

Equity-settled share-based payments with employees and others providing similar services are measured at the fair value of the equity instrument at the grant date. Fair value is measured by use of a Black Scholes model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations. Further details on how the fair value of equity-settled share-based transactions has been determined can be found in Note 28.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest. No amount has been recognised in the financial statements in respect of the other equity-settled shared-based payments.

Equity-settled share-based payment transactions with other parties are measured at the fair value of the goods and services received, except where the fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

For cash-settled share-based payments, a liability equal to the portion of the goods or services received is recognised at the current fair value determined at each reporting date.

4 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in Note 3, management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgments. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key Sources of estimation uncertainty

The following the key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

<u>Recoverability of exploration and evaluation expenditure</u>

The recoverability of the exploration and evaluation expenditure recognised as a non-current asset is dependent upon the successful development, or alternatively sale, of the respective tenements which comprise the assets.

	Consolidated 2010 $	Consolidated 2009 $
5 Loss from continuing operations		
Revenue		
Interest revenue	**20,138**	9,277
Profit on sale of share in joint venture	**339,796**	-
Profit on sale of asset	**605**	-
Other revenue	**1,556**	34,805
	362,095	44,082
Employee benefits expense		
Equity settled share based payments	**381,849**	36,005
Salaries	**688,182**	787,740
Superannuation	**18,248**	84,492
Other	**10,966**	46,122
	1,099,245	954,359

6 Income taxes

(a) The components of tax expense comprise:

Current tax	-	-
Deferred tax expense	-	-
Income tax expense reported in statement of comprehensive income	-	-

(b) The prima facie tax benefit on loss from ordinary activities before income tax is reconciled to the income tax as follows:

Prima facie tax benefit on loss from ordinary activities before income tax at 30% (2009: 30%)	**(547,346)**	(1,816,085)
Add tax effect of:		
Revenue losses and other deferred tax balances not recognised	**264,711**	1,553,082
Other non-allowable items	**259,252**	252,201
Share based payments	**114,555**	10,802
	91,172	-
Less tax effect of:		
Other non-assessable items	**90,150**	-
Other allowable items	**1,022**	-
Income tax expense reported in statement of comprehensive income	**-**	-

	Consolidated 2010 $	Consolidated 2009 $

6 Income taxes (Continued)

(c) Deferred tax recognised at 30 June relates to the following:

	Consolidated 2010 $	Consolidated 2009 $
Deferred tax liabilities:		
Exploration expenditure	**(987,068)**	-
Other	**(429)**	-
Deferred tax assets:		
Carry forward revenue losses	**987,497**	-
	-	-

(d) Unrecognised deferred tax assets:

	Consolidated 2010 $	Consolidated 2009 $
Carry forward revenue losses	**1,217,828**	2,522,205
Capital raising costs	**205,396**	101,390
Financial assets	**22,007**	-
Other	**76,842**	58,118
	1,522,073	2,681,713

The tax benefits of the above deferred tax assets will only be obtained if:

i) the company derives future assessable income of a nature and of an amount sufficient to enable the benefits to be utilised;
ii) the company continues to comply with the conditions for deductibility imposed by law; and
iii) no changes in income tax legislation adversely affect the company in utilising the benefits.

The comparative year disclosures have been updated to be consistent with the 2010 presentation. There has been no change to the income tax expense.

7 Remuneration of auditors

	Consolidated 2010 $	Consolidated 2009 $
Auditor of the company		
Audit or review of the financial report	**32,539**	29,368
Other auditor for audit of the subsidiary companies' financial reports	**4,027**	13,124
	36,566	42,492

8 Cash and cash equivalents

	Consolidated 2010 $	Consolidated 2009 $
Cash on hand and at bank	**105,219**	661,658
Deposits at call	**73,177**	-
	178,396	661,658

	Consolidated 2010 $	Consolidated 2009 $

9 Trade and other receivables

GST recoverable	**34,937**	23,431
Joint venture receivable	**341,065**	-
Other	**21,910**	6,697
	397,912	30,128

As at 30 June 2010, current trade and other receivables do not contain impaired assets and are not past due. It is expected that these amounts will be received when due.

10 Inventory

Exploration equipment parts	**-**	3,342
	-	3,342

11 Other assets

Prepayments	**25,540**	14,038
	25,540	14,038

12 Other financial assets

Investments carried at fair market value		
Investment in associate	**100,167**	-
Investment in listed entity	**77,143**	-
Provision for impairment	**(100,167)**	-
Net investments	**77,143**	-
Loans to associates	**212,715**	-
Provision for impairment	**(212,715)**	-
Net loans to associates	**-**	-
Total other financial assets	**77,143**	-

13 Plant and equipment

At cost	**253,876**	280,307
Accumulated depreciation	**(124,468)**	(113,591)
	129,408	166,716

	Consolidated 2010 $	Consolidated 2009 $

13 Plant and equipment (Continued)

(a) Reconciliation

Reconciliations of the carrying amounts of plant and equipment at the beginning and end of the current and previous financial years:

	Consolidated 2010 $	Consolidated 2009 $
Carrying amount at the beginning of the year	**166,716**	200,369
Additions	**52,351**	6,701
Disposals	**(16,695)**	(64,754)
Depreciation expense	**(53,665)**	(70,153)
Foreign exchange movements	**(19,299)**	94,553
Carrying amount at the end of the year	**129,408**	166,716

14 Exploration and evaluation expenditure

	Consolidated 2010 $	Consolidated 2009 $
Carrying amount at the beginning of the year	**-**	2,837,997
Expenditure capitalised during the year	**3,498,254**	84,137
Expenditure written off during the year	**(208,029)**	(2,922,134)
Carrying amount at the end of the year	**3,290,225**	-

The ultimate recoupment of costs carried forward for exploration and evaluation phases is dependent on the discovery of commercial viable oil and gas reserves or other natural mineral deposits and the successful development and commercial exploitation or sale of the respective exploration and evaluation areas of interest. Recent guidance provided by the Australian Securities and Investment Commission recommends that companies should take a conservative approach to recognising capitalised exploration expenditure in the current global economic downturn. Given this, the Board of Directors have fully impaired the value of capitalised Kyrgyz oil and gas licences exploration expenditure as at 30 June 2010, however, remain confident of the inherent value of the Kyrgyz oil and gas licences and the ability to increase the value of these assets.

(a) Interests in joint ventures

Interests in jointly controlled assets

Komodo Energy Pty Ltd, jointly with other participants, owns certain exploration and production assets. Komodo Energy Pty Ltd's share is 42%.

Summarised financial statement information for the Consolidated Entity's share of jointly controlled assets and operations is disclosed below:

Exploration and evaluation expenditure	**3,190,225**	-

(b) Farm-in for PEL110

Interests in jointly controlled assets

On 18 November 2009, Monitor Energy Limited entered into a farm-in agreement with Cooper Energy Limited to earn a potential 20% participatory interest of the PEL110 petroleum exploration licence. To date, the entity has contributed $100,000 as part of the farm-in agreement.

	Consolidated 2010 $	Consolidated 2009 $
15 Trade and other payables		
Trade payables	**129,221**	180,837
Sundry payables and accruals	**52,217**	89,326
	181,438	270,163
16 Provisions		
Employee benefits	**63,841**	52,876
	63,841	52,876
17 Issued capital		
Fully paid ordinary shares 3,630,671,408 (2009: 1,557,695,704)	**20,395,115**	15,691,349
Converting preference shares 2,006 (2009: 2,006)	**800**	800
	20,395,915	15,692,149

(a) Fully paid ordinary shares

	2010 No.	2010 $	2009 No.	2009 $
Balance at beginning of the year	**1,557,695,704**	**15,691,349**	728,616,768	14,900,331
Shares issued pursuant to the exercise of 31 August 2011 $0.025 options – 2 September, 2008	**-**	**-**	224,000	5,600
Shares issued pursuant to the exercise of 31 August 2011 $0.025 options – 9 September, 2008	**-**	**-**	7,071	177
Shares issued pursuant to the exercise of 31 August 2011 $0.025 options – 10 November, 2008	**-**	**-**	2	-
Shares issued pursuant to the exercise of 31 August 2011 $0.025 options – 4 May, 2009	**-**	**-**	22	1
Shares issued pursuant to a pro-rata renounceable entitlement issue – 24 June, 2009 at $0.001 per share	**-**	**-**	728,847,841	728,848
Shares issued pursuant to Converting Loan Agreements – 24 June, 2009	**-**	**-**	100,000,000	100,000
Shares issued pursuant to pro rata renounceable entitlements issue – 28, October 2009	**1,557,695,704**	**3,115,391**	-	-
Shares issued to Directors as approved at AGM – 3 December, 2009	**14,100,000**	**35,250**	-	-
Shares issued pursuant to exercise of options – 18 December, 2009	**25,000**	**625**	-	-
Shares issued pursuant to private placement – 23 December, 2009	**500,000,000**	**2,000,000**	-	-
Shares issued to consultant – 13 January, 2010	**1,155,000**	**2,887**	-	-
Transaction costs relating to issue of shares	**-**	**(450,387)**	-	(43,608)
Balance at the end of the year	**3,630,671,408**	**20,395,115**	1,557,695,704	15,691,349

Fully paid ordinary shares carry one vote per share and carry the rights to dividends.

	2010 No.	2010 $	2009 NO.	2009 $

17 Issued capital (Continued)

(b) Converting preference shares

	2010 No.	2010 $	2009 NO.	2009 $
Balance at beginning of the year	**2,006**	**800**	2,006	800
Balance at the end of the year	**2,006**	**800**	2,006	800

The converting preference shares do not have any voting rights but are entitled to the payment of a dividend. The conversion terms for these shares have now expired.

	Consolidated 2010 $	Consolidated 2009 $

18 Accumulated losses

	Consolidated 2010 $	Consolidated 2009 $
Balance at beginning of the year	**(17,035,024)**	(10,981,406)
Net loss attributable to the members of the company	**(1,824,487)**	(6,053,618)
Balance at the end of the year	**(18,859,511)**	(17,035,024)

19 Reserves

	Consolidated 2010 $	Consolidated 2009 $
Option, share based payments and option premium reserves (a)	**2,041,197**	1,694,598
Foreign exchange translation reserve (b)	**349,101**	201,120
Asset revaluation reserve (c)	**(73,357)**	-
	2,316,941	1,895,718

(a) Option, share based payments and option premium reserves

	Consolidated 2010 $	Consolidated 2009 $
Balance at beginning of the year	**1,694,598**	483,327
Movement in unlisted options	**346,599**	36,005
Movement in listed options	**-**	1,175,266
Balance at the end of the year	**2,041,197**	1,694,598

Share based payment reserve

The share based payments reserve arises on the grant of share options to Directors, Executives and senior employees as part of their remuneration and to consultants for services provided. Further information about share-based payments to employees is made in Note 28 to the financial statements. This reserve also includes options issued at a premium on equity raising (included in Movement in listed options above).

Share Options and Option Premium Reserves

There were 165,000,000 unlisted options issued during the year. A total of 1,649,350,130 shares under option are on issue at 30 June, 2010 (2009: 1,490,125,130).

Options carry no rights to dividends and have no voting rights. During the financial year 25,000 options were exercised, the details of which are set out below.

19 Reserves (Continued)

	2010 No.	2010 $	2009 NO.	2009 $
Quoted options with exercise prices of $0.025 and expiry dates of 31 August, 2011				
Balance at beginning of financial year	**1,471,875,130**	**1,175,266**	-	-
Issue of 364,308,384 Entitlement Offer Options at $0.002 per option with exercise dates of 31 August, 2011 – 11 August, 2008	-	-	364,308,384	728,617
Issue of 250,000,000 Placement Options at $0.002 per option with exercise dates of 31 August, 2011 – 26 August, 2008	-	-	250,000,000	500,000
Issue of 28,750,000 Fee Options to Melbourne Capital Limited – 26 August, 2008	-	-	28,750,000	57,500
Issue of 200,000 Options at $0.002 per option – 26 August, 2008	-	-	200,000	400
Exercise of 31 August, 2011 $0.025 options – 2 September, 2008	-	-	(224,000)	-
Exercise of 31 August, 2011 $0.025 options – 9 September, 2008	-	-	(7,071)	-
Exercise of 31 August, 2011 $0.025 options – 10 November, 2008	-	-	(2)	-
Exercise of 31 August, 2011 $0.025 options – 4 May, 2009	-	-	(22)	-
Options issued pursuant to a pro-rata renounceable entitlement issue with exercise prices of $0.025 and exercise dates of 31 August, 2011 – 24 June, 2009	-	-	728,847,841	-
Options issued pursuant to Converting Loan Agreements with exercise prices of $0.025 and exercise dates of 31 August, 2011 – 24 June, 2009	-	-	100,000,000	-
Exercise of 31 August, 2011 $0.025 options – 18 December, 2009	**(25,000)**	-	-	-
Option Premium Costs	-	-	-	(57,500)
Option issue costs	-	-	-	(53,751)
Balance at end of financial year	**1,471,850,130**	**1,175,266**	1,471,875,130	1,175,266

19 Reserves (Continued)

	2010 No.	2010 $	2009 No.	2009 $
Unquoted options on issue				
Balance at beginning of financial year	**18,250,000**	**519,332**	29,250,000	483,327
Value of options vested during year	**-**	**-**	-	36,005
Options lapsed 31 December, 2008 at various exercise prices	**-**	**-**	(9,000,000)	-
Options lapsed 31 March, 2009 at exercise prices of $0.03	**-**	**-**	(2,000,000)	-
Issue of $0.006 expiring 3 December, 2011 – 3 December, 2009	**45,000,000**	**70,452**	-	-
Issue of $0.013 expiring 3 December, 2012 – 3 December, 2009	**45,000,000**	**70,452**	-	-
Issue of $0.006 expiring 11 December, 2011 – 11 December, 2009	**32,500,000**	**84,840**	-	-
Issue of $0.013 expiring 11 December, 2012 – 1 December, 2009	**32,500,000**	**87,263**	-	-
Issue of $0.08 expiring 11 December, 2014 – 11 December, 2009	**10,000,000**	**33,592**	-	-
Options lapsed 31 December, 2009 at various exercise prices	**(4,500,000)**	**-**	-	-
Options expired at 30 June, 2010	**(1,250,000)**			
Balance at end of the year	**177,500,000**	**865,931**	18,250,000	519,332

	Consolidated 2010 $	Consolidated 2009 $
(b) Foreign exchange translation reserve		
Balance at beginning of the year	**201,120**	(360,696)
Translation of foreign operations	**147,981**	561,816
Balance at the end of the year	**349,101**	201,120

Foreign currency translation reserve

The foreign currency translation reserve records exchange differences arising on translation of a foreign controlled subsidiary.

(c) Asset revaluation reserve

	Consolidated 2010 $	Consolidated 2009 $
Balance at beginning of the year	**-**	-
Revaluation of listed investments	**(73,357)**	-
Balance at the end of the year	**(73,357)**	-

20 Loss per share

	2010 Cents per Share	2009 Cents per Share
Basic/diluted loss per share	**(0.06)**	(0.82)

(a) Basic/diluted loss per share

The loss and weighted average number of ordinary shares used in this calculation of basic / diluted loss per share are as follows:

	2010 $	2009 $
Loss	**(1,824,487)**	(6,053,618)

	2010 No.	2009 No.
Weighted average number of ordinary shares for the purposes of basic / diluted loss per share	**2,874,399,227**	742,432,081

As the consolidated entity is in a loss position the options outstanding at 30 June 2010 have no dilutive effects on the earnings per share calculation.

21 Commitments for expenditure

The consolidated entity has certain obligations to perform minimum exploration work programmes on its oil and gas and uranium exploration permits in accordance with the licence conditions. Currently all necessary work programmes, other than PEL110, have been completed and only discretionary work programs, as agreed from time to time by the Joint venture remain. On PEL 110 the Company has a commitment to fulfil its farm-in agreement with Cooper Energy. This will comprise the funding to approximately $1,000,000 of a 3D seismic programme scheduled for the first half of 2011.

Due to the speculative nature of the exploration operations of the consolidated entity and as each licence year of the oil & gas permits and work programmes are negotiated with the geological agency of the Kyrgyz Republic, there are no commitments of the consolidated entity beyond one year. Operational costs in the Kyrgyz Republic will cost approximately $198,564 but this amount is expected to reduce once the Company has completed its farm-out process to attract Joint Venture partner(s).

22 Contingent liabilities and assets

The Directors are not aware of any material contingent liabilities or assets at reporting date (2009: Nil).

Over the past few years the Kyrgyz Republic has gone through considerable financial, political and economic changes. With its developing economy, the Kyrgyz Republic does not have a well developed legislation base and business infrastructure usual to a developed market economy. As a result, operating a business in the Kyrgyz Republic results in an exposure to a certain level of risk. There exists uncertainty with regards to future economic and regulatory policy in the Kyrgyz Republic, and risks (including instability in the political, regulatory and financial environments are higher than developed market economy.

In October 2009 the Company announced that it was to farm into Cooper Energy's block PEL110 in the Cooper Basin, Australia.

The farm-in obligation is for the Company to pay to a 2:1 promote on either an exploration well or work to the equivalent cost of an exploration well, the Company paid $100,000, to be offset against the future work program to secure the acquisition. In March 2010 the Joint Venture agreed to proceed with the acquisition of 3D seismic rather than an exploration well, for which the Company would pay 40%, or approximately $1,000,000 – the seismic acquisition is scheduled for first half of 2011 (subject to equipment availability and access). Should the Company not be able to fund its share of the costs of the seismic acquisition then the agreement with Cooper Energy will be terminated, the $100,000 would not be refunded and the working equity re-assigned to Cooper Energy.

23 Interests in exploration licences

At the date of this financial report, the consolidated entity had interests in the following exploration licences:

	2010	2009
	%	%
Licence details		
Atbashi-Arpinski (oil & gas)	**100.0**	100.0
East Issyk-Kul (oil & gas)	**-**	100.0
Tyup (oil & gas)	**100.0**	100.0
Karakol (oil & gas)	**100.0**	-
East Kokmoinok (uranium)	**22.5**	100.0
PEL 115	**42.0**	-
PEL 110 (subject to farm-in)*	**-**	-

* - Has the right to earn 20% subject to farm-in conditions. Refer to Note 22 for more information

24 Subsidiaries

		Ownership interest	
Name of entity	**Country of Incorporation**	**2010**	**2009**
		%	**%**
Company			
Monitor Energy Limited	Australia		
Subsidiaries			
White Valley Oil LLC	Kyrgyz Republic	100	100
Business Sphere (i)	Kyrgyz Republic	25	97.5
Komodo Energy Pty Ltd	Australia	100	100

(i) On 25 September 2009, the Group disposed of 75% of its interest in Business Sphere LLC, reducing its continuing interest to 25%. The proceeds on disposal of $300,500 were received partially in cash, $150,000 and partially in shares, $150,500. The difference between the disposal proceeds and the amount transferred to non-controlling interests of $214,047 has been recognised directly in equity.

The net assets of Business Sphere LLC at the date of disposal were as follows:

	25 September 2009
	$
Net liabilities disposed	(214,047)
Investment in associate	(100,167)
Gain on disposal	614,714
Total consideration	300,500

	Company 2010	Company 2009
25 Parent entity disclosures	**$**	**$**
(a) Financial position		
ASSETS		
Current Assets		
Cash and cash equivalents	**165,972**	648,623
Trade and other receivables	**56,822**	30,128
Inventory	**-**	-
Other assets	**20,585**	7,013
Total Current Assets	**243,379**	685,764
Non-Current Assets		
Other financial assets	**416,939**	-
Plant and equipment	**53,927**	66,553
Exploration and evaluation expenditure	**100,000**	-
Total Non-Current Assets	**570,866**	66,553
TOTAL ASSETS	**814,245**	752,317
LIABILITIES		
Current Liabilities		
Trade and other payables	**167,057**	247,342
Provisions	**10,965**	-
Total Current Liabilities	**178,022**	247,342
TOTAL LIABILITIES	**178,022**	247,342
NET ASSETS	**636,223**	504,975
EQUITY		
Issued capital	**20,395,915**	15,692,149
Reserves	**1,967,840**	1,694,598
Accumulated losses	**(21,727,532)**	(16,881,772)
TOTAL EQUITY	**636,223**	504,975
(b) Financial performance		
Net loss attributable to members of Monitor Energy	**(4,845,760)**	(5,539,670)
Other comprehensive income		
Exchange differences arising on translation of foreign operations	**-**	-
Income tax expense on items other comprehensive income	**-**	-
Revaluation of assets	**(73,357)**	-
Total other comprehensive income	**(73,357)**	-
Total comprehensive loss for the period	**(4,919,117)**	(5,539,670)

26 Segment information

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources. The Group's primary segment is one business, being exploration and evaluation of mineral, gas and uranium resources.

During the year ended 30 June 2010 the consolidated entity operated in the following Geographic Segments: Australia and Kyrgyzstan. (2009: Australia and Kyrgyzstan).

Basis of accounting for purposes of reporting by operating segments

Accounting policies adopted

Unless stated otherwise, all amounts reported to the Board of Directors as the chief decision maker with respect to operating segments are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group.

Inter-segment loans payable and receivable are initially recognised at the consideration received net of transaction costs. If inter-segment loans receivable and payable are not on commercial terms, these are not adjusted to fair value based on market interest rates.

Segment assets

Where an asset is used across multiple segments, the asset is allocated to the segment that receives the majority of economic value from the asset. In the majority of instances, segment assets are clearly identifiable on the basis of their nature and physical location.

Unless indicated otherwise in the segment assets note, investments in financial assets, deferred tax assets and intangible assets have not been allocated to operating segments.

Segment liabilities

Liabilities are allocated to segments where there is a direct nexus between the incurrence of the liability and the operations of the segment. Borrowings and tax liabilities are generally considered to relate to the Group as a whole and are not allocated. Segment liabilities include trade and other payables.

Unallocated items

The following items of revenue, expense, assets and liabilities are not allocated to operating segments as they are not considered part of the core operations of any segment:

- impairment of assets and other non-recurring items of revenue or expense

Comparative information

This is the first reporting period in which AASB 8: Operating Segments has been adopted. Comparative information has been stated to conform to the requirements of the Standard.

(a) Revenue by geographical region

Revenue attributable to external customers is disclosed below, based on the location of the external customer:

	Consolidated 2010 $	Consolidated 2009 $
Australia	**339,796**	-
Kyrgyzstan	**2,161**	34,805
Unallocated items – interest income	**20,138**	9,277
Total revenue	**362,095**	44,082

(b) Loss by geographical region

The location of the segment loss is disclosed below by geographical location:

Australia	**(4,505,965)**	(5,539,670)
Kyrgyzstan	**(548,577)**	(1,115,984)
Unallocated items	**3,230,055**	602,036
Total loss	**(1,824,487)**	(6,053,618)

26 Segment information (Continued)

(c) Assets by geographical region

	Consolidated 2010 $	Consolidated 2009 $
The location of the segment assets is disclosed below by geographical location of the assets:		
Australia	**4,345,545**	752,317
Kyrgyzstan	**817,287**	977,849
Unallocated items	**(1,064,208)**	(854,284)
Total assets	**4,098,624**	875,882

(c) Liabilities by geographical region

	Consolidated 2010 $	Consolidated 2009 $
The location of the segment liabilities is disclosed below by geographical location of the liabilities:		
Australia	**3,369,517**	247,342
Kyrgyzstan	**3,042,076**	2,900,885
Unallocated items	**(6,166,314)**	(2,825,188)
Total liabilities	**245,279**	323,039

27 Key management personnel compensation

Key management personnel details

The following persons had authority and responsibility for planning, directing and controlling the activities of the Group during the current and prior financial years. The key management personnel of the consolidated entity is also that of the Company

2010

Scott Spencer – Non-Executive Chairman
Jon Roestenburg – Managing Director
Mark Gwynne – Executive Director
Richard Aden – Chief Financial Officer

2009

Scott Spencer – Non-Executive Chairman
Jon Roestenburg – Managing Director
Mark Gwynne – Executive Director

(a) Remuneration policy

The Board of Directors is responsible for determining and reviewing compensation arrangements for the executive team. The Board will assess the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and executive team. The Board reviewed the remuneration policy in December 2009.

Except as detailed, no Director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the Company or a related body corporate with a Director, a firm of which a Director is a member or an entity in which a Director has a substantial financial interest.

This excludes a benefit included in the aggregate amount of emoluments received or due and receivable by Directors or the fixed salary of a full time employee of the Company.

The consolidated entity is an exploration entity, and therefore speculative in terms of performance. Consistent with attracting and retaining talented Executives, Directors and Senior Executives are paid market rates associated with individuals in similar positions, within the same industry. Options are issued to Directors and executives as performance incentives and to align Director, executive and shareholder goals.

27 Key management personnel compensation (Continued)

(a) Remuneration policy (Continued)

The maximum aggregate amount of fees that can be paid to Non-Executive Directors is subject to approval by shareholders at the Annual General Meeting. Fees for Non-Executive Directors are not linked to the performance of the Company.

Options issued as part of remuneration

Options are issued to Directors and Executives as part of their remuneration. The options are not issued based on performance criteria, but are issued to some Directors of Monitor Energy Limited and its subsidiaries to increase goal congruence between executives, Directors and shareholders.

(b) Compensation of key management personnel

The aggregate compensation of each member of the key management personnel of the company and the Group is set out below. During the financial year there were no key management personnel other than the Directors. There was no compensation of any type, to the Directors, other than as reported below for the provision of management services.

		Short Term		Post Employment					
Director/key management Personnel	**Year**	**Salary & fees**	**Total**	**Superannuation**	**Share based payments**	**Other benefits**	**Total**	**Performance related**	**Value of options remuner-ation**
Scott Spencer	2010	95,000	95,000	-	53,218	2,849	151,067	-	31%
Jon Roestenburg	2010	240,667	240,667	4,875	63,468	2,849	311,859	-	15%
Mark Gwynne	2010	113,940	113,940	7,125	59,468	2,849	183,382	-	26%
Richard Aden	2010	186,600	186,600	-	79,432	2,849	268,881	-	30%
		636,207	**636,207**	**12,000**	**255,586**	**11,396**	**915,189**		

		Short Term		Post Employment					
Director/key management Personnel	**Year**	**Salary & fees**	**Total**	**Superannuation**	**Share based payments**	**Other benefits**	**Total**	**Performance related**	**Value of options remuner-ation**
Scott Spencer	2009	50,000	50,000	-	-	4,163	54,163	-	-
Jon Roestenburg	2009	161,833	161,833	20,135	36,005	4,162	222,135	-	16%
Mark Gwynne	2009	136,222	136,222	12,260	-	4,162	152,644	-	-
		348,055	**348,055**	**32,395**	**36,005**	**12,487**	**428,942**		

Notes:

The fees paid to Director related entities were for the provision of management services of the particular Director, to the consolidated entity as follows

(i) Aubrey Consulting Pty Ltd, an entity associated with Scott Spencer.
(ii) Geotransformations Pty Ltd, an entity associated with Jon Roestenburg.

27 Key management personnel compensation (Continued)

(c) Compensation options: granted and vested during the year

During the financial year ended 30 June 2010, 120,000,000 options were granted to Directors and key management personnel. Options that had previously been issued to Directors and key management personnel, and which vested during the financial year ended 30 June 2010, were as follows:

Key management personnel	Granted number	Vested number	Vesting date	Fair value at grant	Exercise price	Expiry date
Scott Spencer	15,000,000	15,000,000	3 December 2009	$0.0014	$0.0060	3 December 2011
	15,000,000	15,000,000	3 December 2009	$0.0017	$0.0130	3 December 2012
Jon Roestenburg	15,000,000	15,000,000	3 December 2009	$0.0014	$0.0060	3 December 2011
	15,000,000	15,000,000	3 December 2009	$0.0017	$0.0130	3 December 2012
Mark Gwynne	15,000,000	15,000,000	3 December 2009	$0.0014	$0.0060	3 December 2011
	15,000,000	15,000,000	3 December 2009	$0.0017	$0.0130	3 December 2012
Richard Aden	15,000,000	15,000,000	11 December 2009	$0.0026	$0.0060	11 December 2011
	15,000,000	15,000,000	11 December 2009	$0.0027	$0.0130	11 December 2011

Options that had previously been issued to Directors and key management personnel, and which vested during the financial year ended 30 June 2009 were as follows:

Key management personnel	Granted number	Vested number	Vesting date	Fair value at grant	Exercise price	Expiry date
Scott Spencer	-	-	-	-	-	-
Jon Roestenburg	5,000,000	5,000,000	7 March 2009	$0.0195	$0.075	31 December 2011
Mark Gwynne	-	-	-	-	-	-

(d) Shares issued on exercise of compensation options

During the financial year ended 30 June 2010 no options that were issued to Directors and key management personnel were exercised (2009: nil).

(e) Share and option holdings

Shares and options are issued to key management personnel as part of their compensation. The options may be issued subject to performance criteria, and are issued to key management personnel of Monitor Energy Limited to increase goal congruence between key management personnel and shareholders.

All other equity dealings with key management personnel have been entered into with terms and conditions no more favourable than those that the entity would have adopted if dealing at arm's length.

27 Key management personnel compensation (Continued)

Shares held by key management personnel

Fully paid ordinary shares of Monitor Energy Limited

2010

Key management personnel	Balance at beginning of year	Allotment of shares	Options exercised	Disposals	Balance at end of year
Scott Spencer	8,000,000	2,500,000	-	-	10,500,000
Jon Roestenburg	5,100,000	9,200,000	-	-	14,300,000
Mark Gwynne	11,000,000	10,000,000	-	-	21,000,000
Richard Aden	-	3,186,783	-	(3,186,783)	-
	24,100,000	**24,886,783**	**-**	**(3,186,783)**	**45,800,000**

2009

Key management personnel	Balance at beginning of year	Allotment of shares	Options exercised	Disposals	Balance at end of year
Scott Spencer	8,000,000	-	-	-	8,000,000
Jon Roestenburg	2,600,000	2,500,000	-	-	5,100,000
Mark Gwynne	5,500,000	5,500,000	-	-	11,000,000
	16,100,000	**8,000,000**	**-**	**-**	**24,100,000**

Options held by key management personnel

2010

Key management personnel	Balance beginning of year	Acquired	Granted as compensation	Lapsed	Balance at end of year	Total vested	Total exercised
Scott Spencer	-	-	30,000,000	-	30,000,000	30,000,000	30,000,000
Jon Roestenburg	15,000,000	-	30,000,000	(2,500,000)	42,500,000	42,500,000	42,500,000
Mark Gwynne	8,250,000	-	30,000,000	-	38,250,000	38,250,000	38,250,000
Richard Aden	-	-	30,000,000	-	30,000,000	30,000,000	30,000,000
	23,250,000	**-**	**120,000,000**	**(2,500,000)**	**140,750,000**	**140,750,000**	**140,750,000**

2009

Key management personnel	Balance beginning of year	Acquired	Granted as compensation	Lapsed	Balance at end of year	Total vested	Total exercised
Scott Spencer	-	-	-	-	-	-	-
Jon Roestenburg (i)	12,500,000	2,500,000	-	-	15,000,000	15,000,000	15,000,000
Mark Gwynne (ii)	-	8,250,000	-	-	8,250,000	8,250,000	8,250,000
	12,500,000	**10,750,000**	**-**	**-**	**23,250,000**	**23,250,000**	**23,250,000**

i) Jon Roestenburg acquired 2,500,000 options with an exercise price of $0.025 per share and an expiry date of 31 August, 2011 during the year ended 30 June, 2009 pursuant to a pro-rata entitlement offer made to all shareholders which are quoted and are not included in the total in the table above.

ii) Mark Gwynne acquired 8,250,000 options with an exercise price of $0.025 per share and an expiry date of 31 August, 2011 during the year ended 30 June, 2009 pursuant to a pro-rata entitlement offer made to all shareholders which are quoted and are not included in the total in the table above.

27 Key management personnel compensation (Continued)

(f) Service agreements

The Company has not entered into any new Executive Service Agreements with any of the Directors to provide services to the Company. While the Board is aware of its responsibilities with regard to Executive services agreements, the decision was made that in light of current negotiations for the acquisition of the Trinidad projects, new contracts should be deferred until completion of this transaction due to the significant change in business activity and possible change in directorships.

(g) Loans to key management personnel

There were no loans to key management personnel during the year.

28 Share based payments

Options are issued to key management personnel as part of their compensation under the company's remuneration policy as described in Note 27. The options issued may be subject to performance criteria and are issued to key management personnel of Monitor Energy Limited to increase goal congruence between key management personnel and shareholders.

Options granted as share based payments to key management personnel outstanding at 30 June 2010:

Option	Number granted	Number Vested	Grant date	Fair value at grant date	Exercise price	First exercise	Expiry date
Series 3	5,000,000	5,000,000	12 April 2007	$0.0188	$0.050	1 March 2008	31 December 2010
Series 4	5,000,000	5,000,000	12 April 2007	$0.0195	$0.075	1 March 2009	31 December 2011
Series 9	2,500,000	2,500,000	11 March 2008	$0.0139	$0.025	11 March 2008	11 March 2011
Series 13	45,000,000	45,000,000	3 December 2009	$0.0014	$0.006	3 December 2009	3 December 2011
Series 14	45,000,000	45,000,000	3 December 2009	$0.0017	$0.013	3 December 2009	3 December 2012
Series 15	15,000,000	15,000,000	11 December 2009	$0.0026	$0.006	11 December 2009	11 December 2011
Series 16	15,000,000	15,000,000	11 December 2009	$0.0027	$0.013	11 December 2009	11 December 2012
	132,500,000	**132,500,000**					

Options granted as share based payments to key management personnel outstanding at 30 June 2009:

Option	Number granted	Number Vested	Grant date	Fair value at grant date	Exercise price	First exercise	Expiry date
Series 2	3,500,000	3,500,000	12 April 2007	$0.0177	$0.035	12 April 2007	31 December 2009
Series 3	5,000,000	5,000,000	12 April 2007	$0.0188	$0.050	1 March 2008	31 December 2010
Series 4	5,000,000	5,000,000	12 April 2007	$0.0195	$0.075	1 March 2009	31 December 2011
Series 5	500,000	500,000	5 June 2007	$0.0307	$0.020	5 June 2007	31 December 2009
Series 7	1,250,000	1,250,000	5 June 2007	$0.0293	$0.034	5 June 2007	30 June 2010
Series 9	2,500,000	2,500,000	11 March 2008	$0.0139	$0.025	11 March 2008	11 March 2011
Series 11	500,000	500,000	25 March 2008	$0.0046	$0.050	25 March 2008	31 December 2009
	18,250,000	**18,250,000**					

28 Share based payments (Continued)

The following table illustrates the number and weighted average exercise prices (WAEP) of and movements in share options issued under the Employee Share Option Plan and to vendors and consultants during the year:

	2010 Number options	WAEP	2009 Number options	WAEP
Balance at beginning of year	**18,250,000**	**$0.049**	29,250,000	$0.037
Director remuneration	**45,000,000**	**$0.002**	-	-
Director remuneration	**45,000,000**	**$0.003**	-	-
Employee incentive options	**10,000,000**	**$0.004**	-	-
Employee incentive options	**7,500,000**	**$0.003**	-	-
Employee incentive options	**7,500,000**	**$0.001**	-	-
Consultant options	**25,000,000**	**$0.008**	-	-
Consultant options	**25,000,000**	**$0.002**	-	-
Exercised during the year	**-**	**-**	-	-
Expired during the year	**(4,500,000)**	**($0.002)**	(11,000,000)	($0.040)
Balance at end of the year	**178,750,000**	**$0.070**	18,250,000	$0.049
Exercisable at end of the year	**178,750,000**		**18,250,000**	

i) The options outstanding at 30 June 2010 had a weighted average exercise price of $0.070 and remaining lives of between 0.5 & 4.0 years.

ii) Included under employee benefits expense in the statement of comprehensive income is $381,849 (2009: $36,005) related to equity-settled share based payment transactions.

Options exercised

During the financial year ended 30 June 2010 there were no compensation options exercised (2009: Nil).

Valuation of options

The valuation of options issued on 3 December 2009 and 11 December 2009 was undertaken. The valuation process indicated five different values of $0.0014, $0.0017, $0.0034, $0.0026 and $0.0027 per option. The valuations have been performed using the inputs and assumptions detailed in this report.

	Options A	Options B	Options C	Options D	Options E
Grant date	3 December 2009	3 December 2009	11 December 2009	11 December 2009	11 December 2009
Expiry date	3 December 2011	3 December 2012	11 December 2014	11 December 2011	11 December 2012
Spot price	$0.0030	$0.0030	$0.0050	$0.0050	$0.0050
Exercise price	$0.0060	$0.0130	$0.0800	$0.0060	$0.0130
Volatility	150.00%	150.00%	150.00%	150.00%	150.00%
Risk free rate	4.94%	4.94%	4.97%	4.97%	4.97%
Marketability discount	25.00%	25.00%	25.00%	25.00%	25.00%
Fair value of option	$0.0014	$0.0017	$0.0034	$0.0026	$0.0027

28 Share based payments (Continued)

Assumptions

Options A granted 3 December 2009

- The Company has used the Black-Scholes method for calculating the value of the options;
- The expiry date is 3 December 2011;
- The spot price is the most recent sale price for a Monitor share on the date of grant;
- The exercise price is $0.0060;
- Each option will convert into one fully paid ordinary share; and
- The risk free rate is estimated based on the Australian Treasury 3 year bond rate.

Options B granted 3 December 2009

- The Company has used the Black-Scholes method for calculating the value of the options;
- The expiry date is 3 December 2012;
- The spot price is the most recent sale price for a Monitor share on the date of grant;
- The exercise price is $0.0130;
- Each option will convert into one fully paid ordinary share; and
- The risk free rate is estimated based on the Australian Treasury 3 year bond rate.

Options C granted 11 December 2009

- The Company has used the Black-Scholes method for calculating the value of the options;
- The expiry date is 11 December 2014;
- The spot price is the most recent sale price for a Monitor share on the date of grant;
- The exercise price is $0.0800;
- Each option will convert into one fully paid ordinary share; and
- The risk free rate is estimated based on the Australian Treasury 3 year bond rate.

Options D granted 11 December 2009

- The Company has used the Black-Scholes method for calculating the value of the options;
- The expiry date is 11 December 2011;
- The spot price is the most recent sale price for a Monitor share on the date of grant;
- The exercise price is $0.0600;
- Each option will convert into one fully paid ordinary share; and
- The risk free rate is estimated based on the Australian Treasury 3 year bond rate.

Options E granted 11 December 2009

- The Company has used the Black-Scholes method for calculating the value of the options;
- The expiry date is 11 December 2012;
- The spot price is the most recent sale price for a Monitor share on the date of grant;
- The exercise price is $0.0130;
- Each option will convert into one fully paid ordinary share; and
- The risk free rate is estimated based on the Australian Treasury 3 year bond rate.

29 Subsequent events

There has not been any matter or circumstance that has arisen since 30 June 2010 that has significantly affected, or may significantly affect, the operations of the Company, the results of those operations, or the state of affairs of the Company in subsequent financial years other than the following:

On 13 July 2010 the Company completed a capital raising of A$1.41million via a placement to sophisticated investors (470,000,000 shares at $0.003 each).

On 29 July, 2010 the Company announced that it had entered into a binding Heads of Agreement ("HOA") to acquire the rights of SOCA Petroleum ("SOCA") for up to 90% interest in companies whose wholly owned subsidiaries hold production Licences for three blocks in producing onshore oilfields in Trinidad, as well as a major local drilling company. Current production from the fields is approximately 700 bopd, however the Company believes a minimal work program could lift production to more than 3,500 bopd within 36 months. The proposed transaction is subject to a number of conditions precedent including the approval of Monitor shareholders at an Extraordinary General Meeting, and raising sufficient capital to fund the acquisition and ongoing working capital commitments. Under the terms of the agreement the Company paid an amount of US$300,000 on 24 August 2010 to extend the period of exclusivity to the Company. Under the terms of the HOA, the Company will (in the event that it takes up its full 90% option interest) issue up to 2,000,000,000 shares and raise up to $90,000,000 with these proceeds being used to fund the acquisition and operational expenditure.

30 Notes to the cash flow statement

(a) Reconciliation of loss for the year to net cash flows from operating activities

	Consolidated 2010 $	Consolidated 2009 $
Loss for the period	**(1,824,487)**	(6,053,618)
Non-cash flows in operating loss:		
Depreciation	**53,665**	70,153
Share based payments expense	**381,849**	36,005
Foreign exchange differences	**152,596**	424,088
Loan impairment expense	**212,715**	-
Gain on deconsolidation of subsidiary	**(614,714)**	-
Investment impairment expense	**100,167**	-
Exploration expenses	**9,858**	754,078
Write-off exploration expenditure	**208,029**	2,922,134
Changes in net assets and liabilities, net of effects from acquisition of businesses:		
(Increase)/decrease in assets:		
Receivables	**(367,784)**	(24,934)
Prepayments	**(11,502)**	(9,672)
Inventory	**3,342**	5,648
Increase/(decrease) in liabilities:		
Payables	**(88,725)**	70,783
Provisions	**10,965**	46,122
Net cash outflow from operating activities	**(1,774,026)**	(1,759,213)

(b) Non-cash financing and investing activities

There were no non-cash financing or investing activities during the financial year ended 30 June 2010.

31 Financial instruments

(a) Financial risk management objectives

The consolidated entity does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. The use of financial derivatives is governed by the consolidated entity's policies approved by the Board of Directors, which provide written principles on the use of financial derivatives. The consolidated entity's activities expose it primarily to the financial risks of changes in foreign currency exchange rates. The consolidated entity has not entered into any derivative financial instruments.

(b) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 3 to the financial statements.

(c) Foreign currency risk management

The consolidated entity undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise.

(d) Interest rate risk management

The consolidated entity is exposed to interest rate risk as it invests funds at both fixed and floating interest rates.

31 Financial instruments (Continued)

(e) Maturity profile of financial instruments

The following table details the consolidated entity's exposure to interest rate risk as at 30 June:

			Fixed interest rate maturing in:			
	Average interest rate	**Floating interest rate**	**<1 year**	**1-5 years**	**Non-interest bearing**	**Total**
	%	**$**	**$**	**$**	**$**	**$**
2010						
Financial assets						
Cash and cash equivalents	5%	105,219	73,177	-	-	178,396
Trade and other receivables	N/A	-	-	-	397,912	397,912
Other financial assets	N/A	-	-	-	77,143	77,143
		105,219	73,177	-	475,055	653,451
Financial liabilities						
Trade and other payables	N/A	-	-	-	181,438	181,438
		-	-	-	181,438	181,438
Net financial assets		**105,219**	**73,177**	**-**	**293,617**	**472,013**

			Fixed interest rate maturing in:			
	Average interest rate	**Floating interest rate**	**<1 year**	**1-5 years**	**Non-interest bearing**	**Total**
	%	**$**	**$**	**$**	**$**	**$**
2009						
Financial assets						
Cash and cash equivalents	-	-	-	-	661,658	**661,658**
Trade and other receivables	N/A	-	-	-	30,128	**30,128**
		-	-	-	691,786	**691,786**
Financial liabilities						
Trade and other payables	N/A	-	-	-	270,163	**270,163**
		-	-	-	270,163	**270,163**
Net financial assets		**-**	**-**	**-**	**421,623**	**421,623**

31 Financial instruments (Continued)

(f) Credit risk management

The consolidated entity does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

(g) Liquidity risk management

The consolidated entity manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities

(h) Capital risk management

When managing capital, management's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management also aims to maintain a capital structure that ensures the lowest cost of capital available to the entity. In order to maintain or adjust the capital structure, the entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, enter into joint ventures or sell assets. The entity does not have a defined share buy-back plan.

No dividends were paid in 2010 and no dividends are expected to be paid in 2011. There is no current intention to incur debt funding on behalf of the Company as on-going exploration expenditure will be funded via cash reserves, equity or joint ventures with other companies. The Company is not subject to any externally imposed capital requirements.

(i) Fair value of financial instruments

The Directors consider that the carrying amount of financial assets and financial liabilities recorded in the financial statements approximates their fair value.

(j) Liquidity risk management

Interest rate risk, foreign currency risk and price risk

The Group has performed sensitivity analysis relating to its exposure to interest rate risk, foreign currency risk and price risk at balance date. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in these risks.

Interest rate sensitivity analysis

At 30 June 2010, the effect on loss and equity as a result of a 2% increase in the interest rate, with all other variables remaining constant would be a decrease in loss by $9,746 (2009: $14,843) and an increase in equity by $9,746 (2009: $14,846).

Foreign currency risk sensitivity analysis

The Group undertakes certain transactions denominated in foreign currencies, hence it has exposure to exchange rate fluctuations. Exchange rate exposures are managed by holding all funds in Australian dollars and only remitting funds to foreign subsidiaries as needed to reduce the foreign currency exposure.

The Group has foreign subsidiary companies with a functional currency that differs to the presentation currency of the Group. The financial statements of the foreign subsidiaries are required to be translated from the functional currency to the presentation currency of the Group, being Australian dollars. Any movement in the exchange rate will affect the carrying value of the Group's assets and liabilities where the financial statements of the subsidiary companies are dominated in a currency other than Australian dollars. The foreign currency risk in the books of the Group and the Company is considered immaterial and therefore is not shown.

A 10 percent strengthening of the Australian dollar against the following currencies at 30 June 2010 would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2009.

	Consolidated	
	Equity	**Loss**
	$	**$**
30 June 2010		
USD	**657**	**(657)**
30 June 2009		
USD	7	(7)

A 10 percent weakening of the Australian dollar against the above currencies at 30 June 2009 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

31 Financial instruments (Continued)

Price risk sensitivity analysis

As the Company does not derive revenue from sale of products, the effect on profit and equity as a result of changes in the price risk is not considered material. The fair value of the mineral projects will be impacted by commodity price changes (predominantly oil and gas and uranium) and could impact future revenues once operational. However, management monitors current and projected commodity prices.

Financial risk management objectives

The Group's corporate treasury function provides services to the business, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

Financial risk management

	Level 1	Level 2	Level 3	Total
2010	**$**	**$**	**$**	**$**
Financial assets				
Shares in ASX listed entity	77,143	-	-	77,143
Financial liabilities				
	77,143			**77,143**
2009				
Financial assets	-	-	-	-
Financial liabilities	-	-	-	-
	-	-	-	-

Included within Level 1 of the hierarchy are listed investments. The fair values of these financial assets and liabilities have been based on the closing quoted prices at reporting date, excluding transaction costs. In valuing unlisted investments, included in Level 2 of the hierarchy, valuation techniques such as those using comparisons to similar investments for which market observable prices are available have been adopted to determine the fair values of these investments. Derivative instruments are included in Level 2 of the hierarchy with the fair values being determined using valuation techniques incorporating observable market data relevant to the hedged position.

32 Related party transactions

(a) Company

Loans provided by the Company to subsidiary companies for the year ended 30 June 2010 amounted to $3,255,168 (2009: $577,587).

(b) Subsidiaries

Refer to Note 24.

(c) Key management personnel

Refer to Note 27.

(d) Transactions with related parties

There were no transactions with related parties during the year that were not in the ordinary course of business other than the following:

There was an amount of $21,885 in receivables at year end that represented reimbursement of office costs from Fe Limited, a company of which Mark Gwynne is a director.

33 Deconsolidation of subsidiary

On 25 September 2009, the Group disposed of 75% of its interest in Business Sphere LLC, reducing its continuing interest to 25%. The proceeds on disposal of $300,500 were received partially in cash, $150,000 and partially in shares, $150,500. The difference between the disposal proceeds and the amount transferred to non-controlling interests of $214,047 has been recognised directly in equity. The Group has recognised a gain on deconsolidation of Business Sphere LLC.

CORPORATE GOVERNANCE STATEMENT

The Company is committed to implementing the highest standards of corporate governance. In determining what those high standards should involve the Company has considered the ASX Corporate Governance Council's *Principles of Good Corporate Governance and Recommendations.*

In line with the above, the Board has set out the way forward for the Company in its implementation of its Principles of Good Corporate Governance and Recommendations. The approach taken by the Board was to set a blueprint for the Company to follow as it introduces elements of the governance process. Due to the current size of the Company and the scale of its operations it is neither practical nor economic for the adoption of all of the recommendations approved via the Board charter. Where the Company has not adhered to the recommendations it has stated that fact in the annual report however has set out a mandate for future compliance when the size of the Company and the scale of its operations warrants the introduction of those recommendations.

1. Board of Directors

1.1 Role of the Board

The Board's role is to govern the Company rather than to manage it. In governing the Company, the Directors must act in the best interests of the Company as a whole. It is the role of senior management to manage the Company in accordance with the direction and delegations of the Board and the responsibility of the Board to oversee the activities of management in carrying out those delegated duties.

In carrying out its governance role, the main task of the Board is to drive the performance of the Company. The Board must also ensure that the Company complies with all of its contractual, statutory and any other legal obligations, including the requirements of any regulatory body. The Board has the final responsibility for the successful operations of the Company. To assist the Board carry its functions, it has developed a Code of Conduct to guide the Directors. A copy of the code is available on the Company's website (monitorenergy.com.au).

1.2 Composition of the Board

To add value to the Company the Board has been formed so that it has effective composition, size and commitment to adequately discharge it responsibilities and duties. The names of the Directors and their qualifications and experience are stated in the Directors' Report along with the term of office held by each of the Directors. Directors are appointed based on the specific skills required by the Company and on their decision-making and judgment. The Company recognises the importance of Non-Executive Directors and the external perspective and advice that Non-Executive Directors can offer. There is currently one Non-Executive Directors on the Board of the Company whom is also an independent Director.

An Independent Director:

1. is a Non-Executive Director and;
2. is not a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;
3. within the last three years has not been employed in an executive capacity by the Company or another group member, or been a Director after ceasing to hold any such employment;
4. within the last three years has not been a principal of a material professional adviser or a material consultant to the Company or another group member, or an employee materially associated with the service provided;
5. is not a material supplier or customer of the Company or another group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
6. has no material contractual relationship with the Company or other group member other than as a Director of the Company;
7. has not served on the Board for a period which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company; and
8. is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company.

Materiality for the purposes of points 1 to 8 above is determined on the basis of both quantitative and qualitative aspects with regard to the independence of Directors. An amount over 5% of the Company's expenditure or 10% of the particular Directors annual gross income is considered to be material. A period of more than six years as a Director would be considered material when assessing independence.

Mr S Spencer is a Non-Executive Director and Chairman of the Company and meets the Company's criteria for independence. His experience and knowledge of the Company makes his contribution to the Board such that it is appropriate for him to remain on the Board and in his position as Chairman.

Mr M Gwynne is an Executive Director of the Company and does not meet the Company's criteria for independence. However, his experience and knowledge of the Company makes his contribution to the Board such that it is appropriate for him to remain on the Board.

1.3 Responsibilities of the Board

In general, the Board is responsible for, and has the authority to determine, all matters relating to the policies, practices, management and operations of the Company. It is required to do all things that may be necessary to be done in order to carry out the objectives of the Company.

Without intending to limit this general role of the Board, the principal functions and responsibilities of the Board include the following.

1. Leadership of the Organisation: overseeing the Company and establishing codes that reflect the values of the Company and guide the conduct of the Board.
2. Strategy Formulation: to set and review the overall strategy and goals for the Company and ensuring that there are policies in place to govern the operation of the Company.
3. Overseeing Planning Activities: the development of the Company's strategic plan.
4. Shareholder Liaison: ensuring effective communications with shareholders through an appropriate communications policy and promoting participation at general meetings of the Company.
5. Monitoring, Compliance and Risk Management: the development of the Company's risk management, compliance, control and accountability systems and monitoring and directing the financial and operational performance of the Company.
6. Company Finances: approving expenses and approving and monitoring acquisitions, divestitures and financial and other reporting.
7. Human Resources: appointing, and, where appropriate, removing Executive Officers as well as reviewing the performance of Executive Officers and monitoring the performance of senior management in their implementation of the Company's strategy.
8. Ensuring the Health, Safety and Well-Being of Employees: in conjunction with the senior management team, developing, overseeing and reviewing the effectiveness of the Company's occupational health and safety systems to ensure the well-being of all employees.
9. Delegation of Authority: delegating appropriate powers to the CEO to ensure the effective day-to-day management of the Company and establishing and determining the powers and functions of the Committees of the Board.

Full details of the Board's role and responsibilities are contained in the Board Charter. A copy of the charter is available on the Company's website (monitorenergy.com.au).

1.4 Board Policies

1.4.1 Conflicts of Interest

Directors must:

- disclose to the Board actual or potential conflicts of interest that may or might reasonably be thought to exist between the interests of the Director and the interests of any other parties in carrying out the activities of the Company; and
- if requested by the Board, within seven days or such further period as may be permitted, take such necessary and reasonable steps to remove any conflict of interest.

If a Director cannot or is unwilling to remove a conflict of interest then the Director must, as per the Corporations Act, absent himself or herself from the room when discussion and/or voting occurs on matters about which the conflict relates.

1.4.2 Commitments

Each member of the Board is committed to spending sufficient time to enable them to carry out their duties as a Director of the Company.

1.4.3 Confidentiality

In accordance with legal requirements and agreed ethical standards, Directors and key executives of the Company have agreed to keep confidential, information received in the course of the exercise of their duties and will not disclose non-public information except where disclosure is authorised or legally mandated.

1.4.4 Continuous Disclosure

The Board has designated the Company Secretary as the person responsible for overseeing and coordinating disclosure of information to the ASX as well as communicating with the ASX. In accordance with the *ASX Listing Rules* the Company immediately notifies the ASX of information:

1. concerning the Company that a reasonable person would expect to have a material effect on the price or value of the Company's securities; and
2. that would, or would be likely to, influence persons who commonly invest in securities in deciding whether to acquire or dispose of the Company's securities.

A copy of the strategy is available on the Company's website (monitorenergy.com.au).

1.4.5 Education and Induction

It is the policy of the Company that new Directors undergo an induction process in which they are given a full briefing on the Company. Where possible this includes meetings with key executives, tours of the premises, an induction package and presentations. Information conveyed to new Directors include:

- details of the roles and responsibilities of a Director;
- formal policies on Director appointment as well as conduct and contribution expectations;
- a copy of the Board Charter; and
- a copy of the Constitution of the Company.

In order to achieve continuing improvement in Board performance, all Directors are encouraged to undergo continual professional development.

1.4.6 Independent Professional Advice

The Board collectively and each Director has the right to seek independent professional advice at the Company's expense, up to specified limits, (that limit is currently set at $2,000), to assist them to carry out their responsibilities.

1.4.7 Related Party Transactions

Related party transactions include any financial transaction between a Director and the Company. Unless there is an exemption under the Corporations Act from the requirement to obtain shareholder approval for the related party transaction, the Board cannot approve the transaction.

1.4.8 Shareholder Communication

The Company respects the rights of its shareholders and to facilitate the effective exercise of those rights the Company is committed to:

1. communicating effectively with shareholders through releases to the market via ASX, information mailed to shareholders and the general meetings of the Company;
2. giving shareholders ready access to balanced and understandable information about the Company and corporate proposals;
3. making it easy for shareholders to participate in general meetings of the Company; and
4. requesting the external auditor to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

The Company also makes available a telephone number and email address for shareholders to make enquiries of the Company. A copy of the policy is available on the Company's website (monitorenergy.com.au).

1.4.9 Trading in Company Shares

The Company has a Share Trading Policy which states that Directors, members of senior management, certain other employees and their associates likely to be in possession of unpublished price sensitive information may not trade in the Company's securities prior to that unpublished price sensitive information being released to the market via the ASX. A copy of the policy is available on the Company's website (monitorenergy.com.au). Unpublished price sensitive information is information regarding the Company, of which the market is not aware, that a reasonable person would expect to have a material effect on the price or value of the Company's securities.

1.4.10 Performance Review / Evaluation

It is the policy of the Board to conduct evaluation of its performance. The objective of this evaluation is to provide best practice corporate governance to the Company. During the financial year an evaluation of the performance of the Board and its members was not formally carried out. To date, there has been no formal process put in place for performance evaluation. However, a general review of the Board and executives occurs on an on-going basis to ensure that structures suitable to the Company's status as a listed entity are in place. A copy of the policy is available on the Company's website (monitorenergy.com.au).

1.4.11 Attestations by CEO and CFO

It is the Board's policy, that the CEO and the CFO make the attestations recommended by the ASX Corporate Governance Council as to the Company's financial condition prior to the Board signing the Annual Report. However, as at the date of this report the Company does not have a designated CEO or CFO. Due to the size and scale of operations of the Company these roles are performed by the Board, the Executive Directors and the Company Secretary and they will make the required attestations.

1.4.12 Risk Management Policy

The Company's risk management strategy policy states that the Board as a whole is responsible for the oversight of the Company's risk management and control framework. The objectives of the Company's risk management strategy are to:

- identify risks to the Company;
- balance risk to reward;
- ensure regulatory compliance is achieved; and
- ensure senior executives, the Board and investors understand the risk profile of the Company.

The Board monitors risk through various arrangements including:

- regular Board meetings;
- share price monitoring;
- market monitoring; and
- regular review of financial position and operations.

The Company's risk management strategy was formally reviewed by the Board on 28 July 2009 and was considered a sound strategy for addressing and managing risk. A copy of the strategy is available on the Company's website (monitorenergy.com.au).

2. Board Committees

2.1 Audit Committee

Due to the size and scale of operations of the Company, the Company does not have an Audit Committee. The full Board carries out the functions of the Audit Committee. The Board did not meet formally as the Audit Committee during the financial year however any relevant matters were discussed on an as-required basis from time to time during regular meetings of the Board.

2.2 Remuneration Committee

2.2.1 Role

The role of a Remuneration Committee is to assist the Board in fulfilling its responsibilities in respect of establishing appropriate remuneration levels and incentive policies for employees.

As the whole Board only consists of three (3) members, the Company does not have a remuneration committee because it would not be a more efficient mechanism than the full Board for focusing the Company on specific issues, however any relevant matters were discussed on an as-required basis from time to time during regular meetings of the Board.

2.2.2 Remuneration Policy

2.2.2.1 Non-Executive Director Remuneration Policy

Non-Executive Directors are to be paid their fees out of the maximum aggregate amount approved by shareholders for the remuneration of Non-Executive Directors. Non-Executive Directors do not receive performance based bonuses and do not participate in equity schemes of the Company. Non-Executive Directors are entitled to but not necessarily paid statutory superannuation.

2.2.2.2 Executive Director Remuneration

Executive Director remuneration is set by the Board with the executive Director in question not present.

2.2.3 Current Director Remuneration

Full details regarding the remuneration of Directors, is included in the Directors' Report. A copy of the statement is available on the Company's website (monitorenergy.com.au).

2.3 Nomination Committee

2.3.1 Role

The role of a Nomination Committee is to help achieve a structured Board that adds value to the Company by ensuring an appropriate mix of skills are present in Directors on the Board at all times.

As the whole Board only consists of three (3) members, the Company does not have a nomination committee because it would not be a more efficient mechanism than the full Board for focusing the Company on specific issues. The full Board carries out the functions of the Nomination Committee. The Board did not meet formally as the Nomination Committee during the financial year however any relevant matters were discussed on an as-required basis from time to time during regular meetings of the Board.

2.3.2 Criteria for selection of Directors

Directors are appointed based on the specific governance skills required by the Company. Given the size of the Company and the business that it operates, the Company aims at all times to have at least one Director with experience appropriate to the Company's target market. In addition, Directors should have the relevant blend of personal experience in:

- Accounting and financial management; and
- Director-level business experience.

A copy of the procedure is available on the Company's website (monitorenergy.com.au).

3. Company Code of Conduct

As part of its commitment to recognising the legitimate interests of stakeholders, the Company has established a Code of Conduct to guide compliance with legal and other obligations to legitimate stakeholders. These stakeholders include employees, clients, customers, government authorities, creditors and the community as whole. The Company Code of Conduct was adopted by resolution of the Board on 30 June 2004. This Code includes the following:

Responsibilities to Shareholders and the Financial Community Generally

The Company complies with the spirit as well as the letter of all laws and regulations that govern shareholders' rights. The Company has processes in place designed to ensure the truthful and factual presentation of the Company's financial position and prepares and maintains its financial statements fairly and accurately in accordance with the generally accepted accounting and financial reporting standards.

Responsibilities to Clients, Customers and Consumers

The Company has an obligation to use its best efforts to deal in a fair and responsible manner with each of the Company's clients, customers and consumers and is committed to providing clients, customers and consumers with fair value.

Employment Practices

The Company policy is to endeavours to provide a safe workplace in which there is equal opportunity for all employees at all levels of the Company. The Company does not tolerate the offering or acceptance of bribes or the misuse of Company assets or resources. As at the date of this report there are no employees who are not also Directors.

Obligations Relative to Fair Trading and Dealing

The Company aims to conduct its business fairly and to compete ethically and in accordance with relevant competition laws. The Company strives to deal fairly with the Company's customers, suppliers and competitors.

Responsibilities to the Community.

As part of the community the Company: is committed to conducting its business in accordance with applicable environmental laws and regulations.

Responsibility to the Individual

The Company is committed to keeping private information from employees, clients, customers, consumers and investors confidential and protected from uses other than those for which it was provided.

Conflicts of Interest

Directors and Employees must avoid conflicts as well as the appearance of conflicts between personal interests and the interests of the Company.

How the Company Complies with Legislation Affecting its Operations

Within Australia, the Company strives to comply with the spirit and the letter of all legislation affecting its operations. Outside Australia, the Company will abide by local laws in all countries in which it operates. Where those laws are not as stringent as the Company's operating policies, particularly in relation to the environment, workplace practices, intellectual property and the giving of "gifts", Company policy will prevail.

How the Company Monitors and Ensures Compliance with its Code.

The Board of the Company is committed to implementing this Code of Conduct and each individual is accountable for such compliance. Disciplinary measures may be imposed for violating the Code. A copy of the code is available on the Company's website (monitorenergy.com.au).

CORPORATE GOVERNANCE STATEMENT

This Corporate Governance Statement sets out Monitor Energy Limited's current compliance with the ASX Corporate Governance Council's Principles of Good Corporate Governance and Recommendations. The Recommendations are not mandatory.

	RECOMMENDATION	COMMENT	REFERENCE
1	***Lay solid foundations for management and oversight***		
1.1	Companies should establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.	The Company's Corporate Governance Policy includes a Board Charter, which discloses the specific responsibilities of the Board.	1.1, 1.3, Website
1.2	Companies should disclose the process for evaluating the performance of senior executives.	The Board will monitor the performance of senior management, including measuring actual performance against planned performance. The Board has also adopted a policy to assist in evaluating Board performance.	1.4.10, Website
1.3	Companies should provide the information indicated in the *Guide to reporting on Principle 1*.	The Company has explained any departures (if any) from recommendations 1.1 and 1.2 in the Corporate Governance Statement and Policies.	1.1, 1.3, 1.4.10, Website
2	***Structure the Board to add value***		
2.1	A majority of the Board should be independent directors.	A majority of the Board are not independent Directors. There are three Directors on the Board, of which Mr Scott Spencer is independent. Mr Jon Roestenburg and Mr Mark Gwynne are not considered to be independent . Both Mr Roestenburg and Mr Gwynne are Directors with sound knowledge of Monitor's projects. This knowledge is considered important in enabling the Company to capitalize on the value of its projects to create shareholder wealth.	1.2
2.2	The chair should be an independent director.	The Chairman, Mr Scott Spencer, is considered to be independent.	1.2
2.3	The roles of chair and chief executive officer should not be exercised by the same individual.	The roles of chair and chief executive officer are not exercised by the same individual.	1.2
2.4	The Board should establish a nomination committee.	No formal nomination committee has been adopted by the Company as yet. The Board, as a whole, currently serves as a nomination committee. The Board considers that the Company is not yet of a size that warrants the establishment of a nomination committee.	2.3
2.5	Companies should disclose the process for evaluating the performance of the Board, its committees and individual directors.	The Chairman will review the composition of the Board and the performance of each Director to ensure that it continues to have a mix of skills and experience necessary for the conduct of the Company's activities. A new Director will receive an induction appropriate to his or her experience.	1.4.10, 2.3.2, 1.4.5, Website
2.6	Companies should provide the information indicated in the *Guide to reporting on Principle 2*	The Company has provided details of each Director, such as their skills, experience and expertise relevant to their position, together with an explanation of any departures (if any) from recommendations 2.1, 2.2, 2.3, 2.4 and 2.5 in its Annual Report and Corporate Governance Statement and Policies respectively.	1.2, 2.3, 1.4.10, 2.3.2, 1.4.5, 1.4.6, Website

	RECOMMENDATION	COMMENT	REFERENCE
3	***Promote ethical and responsible decision-making***		
3.1	Companies should establish a code of conduct and disclose the code or a summary of the code as to: • the practices necessary to maintain confidence in the company's integrity • the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders • the responsibility and accountability of individuals for reporting and investigating reports of unethical practices	The Company's Corporate Governance Policy includes a Code of Conduct for Directors and Key Executives, which provides a framework for decisions and actions in relation to ethical conduct in employment.	3,1.4.1,1.4.2, 1.4.3, Website
3.2	Companies should establish a policy concerning trading in company securities by directors, senior executives and employees, and disclose the policy or a summary of that policy.	The Corporate Governance Policy includes a Share Trading Policy that provides comprehensive guidelines on trading in Company securities.	1.4.9, Website
3.3	Companies should provide the information indicated in the *Guide to reporting on Principle 3*.	The Company has explained any departures (if any) from recommendations 3.1, 3.2 and 3.3 in the Corporate Governance Statement and Policies.	3,1.4.1,1.4.2, 1.4.3, 1.4.9, Website
4	***Safeguard integrity in financial reporting***		
4.1	The Board should establish an audit committee.	No formal audit committee has been adopted by the Company as yet. The Board, as a whole, currently serves as an audit committee. The Board considers that the Company is not yet of a size that warrants the establishment of an audit committee.	2.1
4.2	The audit committee should be structured so that it: • consists only of non-executive directors • consists of a majority of independent directors • is chaired by an independent chair, who is not chair of the Board • has at least three members.	No formal audit committee has been adopted by the Company as yet. The Board, as a whole, currently serves as an audit committee. The Board considers that the Company is not yet of a size that warrants the establishment of an audit committee.	2.1
4.3	The audit committee should have a formal charter.	No formal audit committee has been adopted by the Company as yet. The Board, as a whole, currently serves as an audit committee. The Board considers that the Company is not yet of a size that warrants the establishment of an audit committee.	2.1
4.4	Companies should provide the information indicated in the *Guide to reporting on Principle 4*.	The Company will explain any departures (if any) from recommendations 4.1, 4.2 and 4.3 in its future annual reports.	2.1

	RECOMMENDATION	COMMENT	REFERENCE
5	***Make timely and balanced disclosures***		
5.1	Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	The Company has a continuous disclosure program in place designed to ensure the compliance with ASX Listing Rule disclosure and to ensure accountability at a Board level for compliance and factual presentation of the Company's financial position.	1.4.4, Website
5.2	Companies should provide the information indicated in *Guide to Reporting on Principle 5*.	The Company will provide an explanation of any departures (if any) from recommendation 5.1 in its future annual reports.	1.4.4, Website
6	***Respect the rights of shareholders***		
6.1	Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	The Company's Corporate Governance Policy includes a Shareholder Communications Policy, which aims to ensure that the shareholders are informed of all major developments affecting the Company's state of affairs.	1.4.8, Website
6.2	Companies should provide the information indicated in the *Guide to reporting on Principle 6*.	The Company has provided an explanation of any departures (if any) from recommendation 6.1 in the Corporate Governance Statement and Policies.	1.4.8, Website
7	***Recognise and manage risk***		
7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	The Board determines the Company's "risk profile" and is responsible for overseeing and approving risk management strategy and policies, internal compliance and internal control. The Company's Corporate Governance Policy includes a Risk Management Policy which aims to ensure that material business risks are identified and mitigated.	1.4.12, Website

	RECOMMENDATION	COMMENT	REFERENCE
7.2	The Board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	The Board requires either the individual performing the role of Chief Executive Officer or the Chief Financial Officer will design and implement risk management and internal control systems and provide a report at the relevant time.	1.4.11, 1.4.12, Website
7.3	The Board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	The Board will seek this relevant assurance from the individuals performing the role of Chief Executive Officer and the Chief Financial Officer.	1.4.11, 1.4.12, Website
7.4	Companies should provide the information indicated in *Guide to Reporting on Principle 7.*	The Company has provided an explanation of any departures (if any) from recommendations 7.1, 7.2 and 7.3 in the Corporate Governance Statement and Policies.	1.4.11, 1.4.1.2, Website
8	***Remunerate fairly and responsibly***		
8.1	The Board should establish a remuneration committee.	No formal remuneration committee has been adopted by the Company as yet. The Board, acting without the affected Director participating in the decision making process, currently serves as a remuneration committee.	2.2.1
8.2	Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	The Board will distinguish the structure of non executive Director's remuneration from that of executive Directors and senior executives. Relevantly, the Company's Constitution provides that the remuneration of non-executive Directors will be not be more than the aggregate fixed sum determined by a general meeting. The Board is responsible for determining the remuneration of any Director or senior executives (without the participation of the affected Director).	2.2.2, Website
8.3	Companies should provide the information indicated in the *Guide to reporting on Principle 8.*	The Company has provided an explanation of any departures (if any) from recommendations 8.1 and 8.2 in the Corporate Governance Statement and Policies.	2.2.1, 2.2.2, Website

ASX ADDITIONAL INFORMATION

Additional information required by the Australian Securities Exchange Limited Listing Rules and not disclosed elsewhere in this report. This additional information was applicable as at 9 September 2010.

1. DISTRIBUTION OF SECURITY HOLDERS

Analysis of numbers of listed equity security holders by size of holding:

CATEGORY			NUMBER OF SHAREHOLDERS	NUMBER OF SHARES
1	-	1,000	59	7,558
1,001	-	5,000	9	34,168
5,001	-	10,000	19	167,460
10,001	-	100,000	687	43,770,992
100,001	and over		2,285	4,056,691,230
			3,059	**4,100,671,408**

Number of shareholders holding less than a marketable parcel of ordinary shares: 1,046 shareholders amounting to 81,293,183 shares.

2. STATEMENT OF RESTRICTED SECURITIES

There are no restricted securities as at 9 September 2010.

3. SUBSTANTIAL SHAREHOLDERS

There are no substantial shareholdings as at 9 September 2010.

4. UNQUOTED SECURITIES

The Company has the following unquoted securities:

Number	Class
5,000,000	$0.05 options expiring 31 December 2010
2,500,000	$0.025 options expiring 11 March 2011
45,000,000	$0.006 options expiring 3 December 2011
32,500,000	$0.006 options expiring 11 December 2011
5,000,000	$0.075 options expiring 31 December 2011
45,000,000	$0.013 options expiring 3 December 2012
32,500,000	$0.013 options expiring 11 December 2012
10,000,000	$0.080 options expiring 11 December 2014

5. VOTING RIGHTS

The voting rights attaching to the ordinary shares, set out in the Company's Constitution, are:

At meetings of members, each member is entitled to vote in person or by proxy, attorney or representative; and

On a show of hands, every person present who is a member has one vote, and on a poll every member present has a vote for each fully paid share.

6. ON-MARKET BUY-BACK

There is no current on-market buy-back.

7. STATEMENT OF TOP 20 HOLDERS OF LISTED EQUITY SECURITIES

Fully paid ordinary shares

Rank	Name	Number of Shares	% of Issued Capital
1	DEMPSEY RESOURCES PTY LTD	375,000,000	9.145
2	SACHA INVESTMENTS PTY LTD	80,000,000	1.951
3	MR PAUL JAMES MADDEN	72,060,680	1.756
4	MR WILLIAM CAVANAGH	45,000,000	1.097
5	MR SCOTT ALBERT HENRY	40,000,000	0.975
6	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	34,275,068	0.836
7	DAEM NOMINEES PTY LTD <FAMILY ACCOUNT>	34,000,000	0.829
8	ABN AMRO CLEARING SYDNEY NOMINEES PTY LTD <CUSTODIAN A/C>	32,904,999	0.802
9	MR STEVEN ITALIANO	32,000,000	0.780
10	MS LOUISE PADDON	30,000,000	0.732
11	COST NOMINEES LIMITED	28,000,000	0.683
12	MR SAMBHU LAL & MRS SHANTI DEVI LAL	26,500,000	0.646
13	EWOK HOLDINGS LIMITED	25,000,000	0.610
14	MR ANTONY WILLIAM PAUL SAGE <EGAS SUPER FUND A/C>	25,000,000	0.610
15	MR DAVID PATRICK O'SHANNESSY	25,000,000	0.610
16	MR ALBERT JOHN MATTHEWS & MRS BETTY JUNE MATTHEWS <BJM S/F NO2 A/C>	25,000,000	0.610
17	MS INGRID JOAN OLSEN	25,000,000	0.610
18	GANESHAYA PTY LTD	24,300,000	0.593
19	RIVIAN INVESTMENTS PTY LTD <THE VINCER SUPER FUND A/C>	23,200,000	0.566
20	MR MICHAEL PHILIP EASTERBROOK	22,000,000	0.536
		1,024,240,747	**24,977**

Share Options Expiring 31 August 2011 and Exercisable at $0.025 per Share

Rank	Name	Number of Options in Class	% of Issued in Class
1	RIVERCREST ENTERPRISES PTY LTD	348,079,959	23.649
2	MUNGALA INVESTMENTS PTY LTD	160,124,820	10.879
3	MR ANDREW CLIFFORD CRUMP & MRS TONI CHEREE CRUMP	50,000,000	3.397
4	MRS NADIA PALLESCHI	40,000,000	2.718
5	MR FANG HUA DING	36,247,310	2.463
6	JACOBS CORPORATION PTY LTD	25,000,000	1.699
7	MR WILLIAM CAVANAGH	21,000,000	1.427
8	MR STEVEN ITALIANO	21,000,000	1.427
9	MR ANDREW CLIFFORD CRUMP & MRS TONI CHEREE CRUMP <GRUMPY FAMILY S/F A/C>	20,250,000	1.376
10	MR MICHAEL EDGAR	20,000,000	1.359
11	SACHA INVESTMENTS PTY LTD	20,000,000	1.359
12	GORROCK PTY LTD	19,000,000	1.291
13	MR IAN GRIFFITH & MS CINDY GRIFFITH <GRIFFITH SUPER FUND A/C>	16,000,000	1.087
14	ORPHANIDES FAMILY SUPER A/C>	14,369,451	0.976
15	CHALLAND PTY LTD <CHALDJIAN FAMILY A/C>	13,000,000	0.883
16	DAEM NOMINEES PTY LTD <FAMILY ACCOUNT>	12,750,000	0.866
17	MR LIGANG ZHU	12,000,000	0.815
18	NORTHERN STAR NOMINEES PTY LTD	11,500,000	0.781
19	MR DAMIEN JAMES CARTWRIGHT & MRS ADRIANA CARTWRIGHT <CARTWRIGHT FAMILY A/C>	11,275,000	0.766
20	MR TIMOTHY JAMES MASON	11,000,000	0.747
		882,596,540	**59,965**

TAX STATUS

The Company is treated as a public company for taxation purposes.

FRANKING CREDITS

The Company has nil franking credits.

TENEMENT SCHEDULE

Project	Interest
<u>Kyrgyz Republic</u>	
Atbashi-Arpinski (oil & gas)	100.0%
Tyup (oil & gas)	100.0%
Karakol (oil & gas)	100.0%
East Kokmoinok (uranium)	22.5%
<u>Australia</u>	
PEL 115	42.0%
PEL 110 (subject to farm-in)	20.0%

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