



Half Year Financial Statements

31 December 2010

CORPORATE DIRECTORY

DIRECTORS

Norman Zillman (*Non Executive Chairman*)
Michael Sandy (*Executive Director*)
Andrew Kugler Jr (*Non Executive Director*)
John McAlwey (*Non Executive Director*)
Khib Kugler (*Non Executive Director*)

COMPANY SECRETARY

Kevin Lynn

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

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SOLICITORS TO THE COMPANY

Blakiston & Crabb
1202 Hay Street
WEST PERTH WA 6005

SHARE REGISTRY

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

AUDITORS

BDO Audit (NSW-VIC) Pty Ltd
Level 19, 2 Market Street
Sydney NSW 2000

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DIRECTORS' REPORT

The Directors present their report together with the consolidated financial statements for the half-year ended 31 December 2010 and the review report thereon.

Directors

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

Norman Zillman (*Non Executive Chairman*)
Michael Sandy (*Executive Director*)
Andrew Kugler Jr (*Non Executive Director*)
John McAlwey (*Non Executive Director*)
Khib Kugler (*Non Executive Director*)

Results of Operations

The net loss of the consolidated entity for the six months to 31 December 2010 amounted to \$3,517,390 (half year ended 31 December 2009: loss of \$1,005,845).

Review of Operations

Burleson Energy Limited and partners had drilled 4 wells in the first part of 2010 with 3 discoveries (Heintschel, Joann and Brasher). Of these, the Heintschel #1 discovered a significant field.

BUR has ~38% working interest and ~30% Net Revenue interest in these wells.

As at the date of this report, the Company had one well on production - Heintschel # 1. The Brasher #1 well was off line and undergoing remedial work. The Joann #1 well was awaiting connection to a sales pipeline.

In the second half of 2010 Burleson and partners commenced an appraisal/development drilling program on the Heintschel field. Two wells have been drilled – the D.Truchard #1 was spudded in November 2010 and the Heintschel #2 well in December 2010. Both wells encountered gas sands which were confirmed by electric logging, and it was decided to complete the two wells for production. Subsequently, in February 2011 both wells were brought on production.

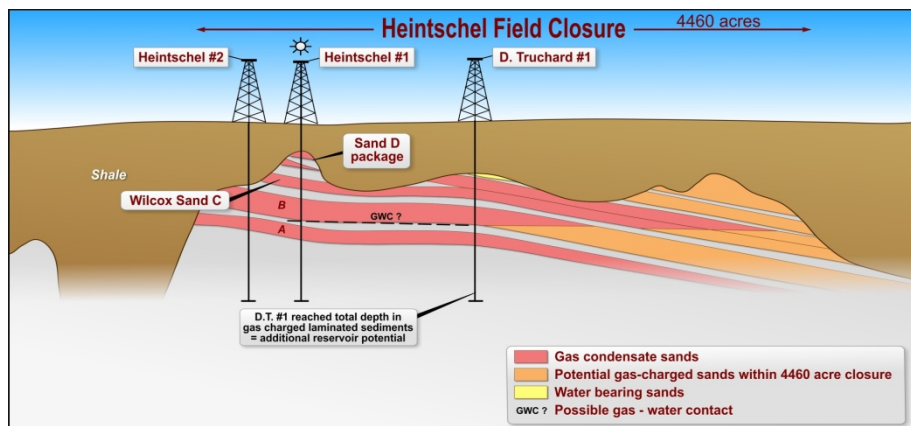
Well details

Brasher #1 - (BUR Working Interest 38%, Net Revenue Interest 29.77%) This low cost well was producing from a shallow Yegua reservoir. During the December half it produced 39,232 thousand cubic feet (mcf) of gas.

Heintschel #1 - (BUR WI 38%, NRI 29.77%) Drilled in April 2010, this well encountered a much thicker gas column (230 + ft, 70m) covering a much larger area (4,460 acres, 18 sq km) than was expected, in Wilcox sands. The well produced for a period of 6 weeks into a sales pipeline while awaiting fracture stimulation (fracking) and was subsequently shut-in to prepare for the frac, which occurred on 26 October 2010.

The well has been flowing at commercial rates since that time. To end December 2010, the well produced a total of 98,899 mcf of gas and 4,232 barrels of condensate. Average rates for December 2010 were 1.324 million cubic feet (mmcf)/day gas, 56 barrels /day condensate and 420 barrels/day water.

Since late October, operator AKG has been adjusting the flow conditions for the well to maximise gas and condensate production. The main challenge to the well performance has been the relatively high volumes of liquids (condensate plus water) being produced from the three Heintschel wells.



D.Truchard #1 - (BUR WI 38%, NRI 29.64%) The D.Truchard #1 well was located ~3km from the Heintschel # 1 gas condensate discovery. It was planned as an appraisal well in the Heintschel field in Colorado County, Texas.

D.Truchard #1 was spudded in late November and drilled to a total depth of 12,000 feet (3658m) and gas shows were recorded while drilling the lower part of the hole.

The D. Truchard came in structurally higher than the pre drill prognosis which is a positive indication for the performance of the well. The D.Truchard #1 well was brought on production in February 2011.

Heintschel # 2 - (BUR WI 38%, NRI 29.59%) This appraisal/development well was located 0.37 km from the Heintschel # 1 gas condensate discovery. The Heintschel #2 well was planned as an appraisal well targeting the main gas condensate sands encountered in the Heintschel #1 discovery well but in a structurally higher (updip) location.

It was spudded in late December and drilled to a total depth of 11,900 feet (3627m), with gas shows recorded while drilling the lower part of the hole.

Results of electric logging of the Heintschel #2 well were as expected and a decision was made to complete the well for production.

Being a close offset to the initial discovery well, Heintschel #2 provides another source of production and cash-flow for Bureson along with progressing potential resource and reserve assessment within the field.

Both D.Truchard #1 and Heintschel #2 required fracture stimulation (fracking) prior to hooking up to a sales pipeline. Fracing of the two wells back-to-back on 24 and 25 January was successfully achieved.

Joann #1 well (BUR WI 39.4%, NRI 30.73%) This well was discovered in July 2010 and is awaiting connection to a sales pipeline. Prior to being shut-in the well was tested. One of four prospective zones identified by logging in Joann #1 was perforated and flowed gas at 2.1 million cubic feet of gas per day and approximately 38 barrels of condensate per day.

Corporate

On 8 October 2010, BUR announced a renounceable rights (one new share for every three shares held at the record date at an issue price of 5.5 cents per share), to raise approximately \$3.77 million before costs. The Rights Issues was fully underwritten by Patersons Securities Pty Ltd. The issue closed on 9 November 2010 with very strong support from shareholders. The funds raised the balance of the funding required for the commencement of appraisal and development drilling on the Heintschel field.

No Convertible Notes were converted to equity during the half year. The Company repaid the Convertible Notes which fell due 31 December 2010 on 1 January 2011.

Events subsequent to Reporting Date

On the 3 March 2011, the Company raised approximately \$2.2 million (before costs) in the Placement of 41.1 million ordinary shares at 5.5 cents per shares.

On the same date the Company also announced a fully underwritten Rights Issue of 1 new share for every 3 shares held with a total of 105,222,283 shares being issued, together with one (1) free new Option for every three (3) new Shares issued, raising approximately \$5.7 million (before costs). The total amount raised by the Placement and Rights Issue is up to \$8,047,725 (before costs). The Rights Issues was fully underwritten by Patersons Securities Pty Ltd.

Auditors' Independence Declaration

A copy of the auditor's independence declaration as required under Section 307C of the Corporations Act 2001 is set out on page 6.

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



Michael Sandy
Executive Director

Sydney
9 March 2011

**DECLARATION OF INDEPENDENCE BY WAYNE BASFORD
TO THE DIRECTORS OF BURLESON ENERGY LIMITED**

As lead auditor for the review of Burleson Energy Limited for the half-year ended 31 December 2010, I declare that to the best of my knowledge and belief, there have been:

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

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



Wayne Basford
Director

BDO Audit (NSW-VIC) Pty Ltd

Sydney, 9 March 2011

Burleson Energy Limited and its Subsidiaries

**Consolidated Statement of Comprehensive Income
for the Half-Year Ended 31 December 2010**

	Consolidated	
	31 Dec 2010 \$	31 Dec 2009 \$
Revenue from continuing operations		
Operating revenue	317,366	253,187
Interest Income	28,610	2,496
	<u>345,976</u>	<u>255,683</u>
Operating costs:		
Legal and professional fees	(278)	(17,481)
Employee and consultancy fees	(136,000)	(72,000)
Finance costs – interest	(73,096)	(95,607)
ASX and share registry expenses	(35,281)	(25,840)
Exchange rate gains and losses	(164,927)	(164,584)
Exploration evaluation costs written off	(3,087,644)	(439,111)
Amortisation	-	(71,710)
US operating costs	(168,900)	(251,011)
Administration expenses	(197,240)	(124,184)
Total expense	<u>(3,863,366)</u>	<u>(1,261,528)</u>
(Loss) before income tax	(3,517,390)	(1,005,845)
Income tax expense	-	-
(Loss) after tax from continuing operations	<u>(3,517,390)</u>	<u>(1,005,845)</u>
Other comprehensive income for the half year	-	-
Total comprehensive income for the half year	<u><u>(3,517,390)</u></u>	<u><u>(1,005,845)</u></u>
Earnings per share on continuing operations attributable to owners of Burleson Energy Ltd		
Basic loss per share – cents	0.015	0.008
Diluted loss per share – cents	0.015	0.008

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Burleson Energy Limited and its Subsidiaries

**Consolidated Statement of Financial Position
for the Half-Year Ended 31 December 2010**

	Consolidated	
	31 Dec 10	30 June 10
	\$	\$
ASSETS		
Current Assets		
Cash and Cash Equivalents	2,510,366	2,709,281
Trade and Other Receivables	212,601	63,471
Total Current Assets	<u>2,722,967</u>	<u>2,772,752</u>
Total Non-Current Assets	<u>-</u>	<u>-</u>
Total Assets	<u>2,722,967</u>	<u>2,772,752</u>
LIABILITIES		
Current Liabilities		
Trade and Other Payables	215,776	205,127
Borrowings	1,450,000	1,450,000
Total Current Liabilities	<u>1,665,776</u>	<u>1,655,127</u>
Total Liabilities	<u>1,665,776</u>	<u>1,655,127</u>
Net Assets	<u>1,057,191</u>	<u>1,117,625</u>
Equity		
Contributed Equity	24,003,169	21,471,870
Reserves	2,279,574	1,353,917
Accumulated Losses	(25,225,552)	(21,708,162)
Total Equity	<u>1,057,191</u>	<u>1,117,625</u>

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

Burleson Energy Limited and its Subsidiaries

**Consolidated Statement of Changes in Equity
For the half-year ended 31 December 2010**

	Contributed Equity	Accumulated Losses	Share Based Payment Reserve	Foreign Currency Translation Reserve	Total
As at 1 July 2009	16,549,277	(16,717,708)	226,625	871,769	929,963
Total comprehensive income for the half year 31 Dec 2009					
(Loss) for the half year	-	(1,005,845)	-	-	(1,005,845)
Foreign currency translation reserve differences	-	-	-	(37,229)	(37,229)
Total comprehensive income / (loss) for the half year	-	(1,005,845)	-	(37,229)	(1,043,074)
Transaction with owners in their capacity as owners					
Contributed equity	875,842	-	-	-	875,842
Transaction costs	(102,550)	-	-	-	(102,550)
	773,292	-	-	-	773,292
As at 31 Dec 2009	17,322,569	(17,723,553)	226,625	834,540	660,181
Group	\$	\$	\$	\$	\$
As at 1 January 2010	17,322,569	(17,723,553)	226,625	834,540	660,181
Total comprehensive income for the half year					
(Loss) for the half year	-	(3,984,609)	-	-	(3,984,609)
Foreign currency translation reserve differences	-	-	-	292,752	292,752
Total comprehensive income / (loss) for the half year	-	(3,984,609)	-	292,752	(3,691,857)
Transaction with owners in their capacity as owners					
Contributed equity	4,298,714	-	-	-	4,298,714
Transaction costs	(149,463)	-	-	-	(149,463)
	4,149,251	-	-	-	4,149,251
As at 30 June 2010	21,471,870	(21,708,162)	226,625	1,127,292	1,117,625
Group	\$	\$	\$	\$	\$
As at 1 July 2010	21,471,870	(21,708,162)	226,625	1,127,292	1,117,625
Total comprehensive income for the half year					
(Loss) for the half year	-	(3,517,390)	-	-	(3,517,390)
Foreign currency translation reserve differences	-	-	-	58,048	58,048
Total comprehensive income / (loss) for the half year	-	(3,517,390)	-	58,048	(3,459,342)
Transaction with owners in their capacity as owners					
Contributed equity	3,775,294	-	-	-	3,775,294
Transaction costs	(1,243,995)	-	867,609	-	(376,386)
	2,531,299	-	-	-	3,398,908
At the end of Period	24,003,169	(25,225,552)	1,094,234	1,185,340	1,057,191

This Consolidated Statement of Changes in Equity are to be read in conjunction with the notes to the financial statements.

Burleson Energy Limited and its Subsidiaries

Consolidated Statement of Cash Flows
For the half-year ended 31 December 2010

	Consolidated	
	31 Dec 2010	31 Dec 2009
	\$	\$
Cash flows from operating activities		
Receipts from customers	145,834	353,238
Cash payments to suppliers and employees	(537,126)	(584,353)
Cash payments for exploration and evaluation expenditure	(3,056,714)	(439,111)
Interest received	28,610	2,496
Interest paid	(73,096)	(95,607)
Net cash flows used in operating activities	(3,492,492)	(763,337)
Cash flows used in investing activities	-	-
Cash flows from financing activities		
Proceeds from issue of shares	3,398,908	773,292
Net cash flows from financing activities	3,398,908	773,292
Net (decrease) /increase in cash and cash equivalents	(93,584)	9,955
Cash and cash equivalents at beginning of the half-year	2,709,281	1,333,573
Effects of exchange rate changes in the balances of cash held in foreign currency at the beginning of the period	(105,331)	(95,880)
Cash and cash equivalents at end of the half-year	2,510,366	1,247,648

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

1 Basis of Preparation of Half-Year Financial Statements

These general purpose financial statements for the interim financial half-year reporting period ended 31 December 2010 have been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Act 2001.

The historical cost basis has been used.

These half-year financial statements do not include all the notes of the type normally included in an annual financial statements and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial statements. Accordingly, these half-year financial statements are to be read in conjunction with the annual financial report for the year ended 30 June 2010 and any public announcements made by Burleson Energy Ltd during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The same accounting policies and methods of computation have generally been followed in these half-year financial statements as compared with the most recent annual financial statements.

Going Concern

The directors believe that the going concern basis is appropriate for the preparation of the financial statements as the Group has sufficient cash to continue to operate for the foreseeable future. Further the Group is confident of being able to raise additional funds through share placement or sale of production assets which would enhance cash flow and allow continued exploration on its leases.

The Group repaid its convertible notes of \$1.45 million on 1 January 2011. On 3 March 2011, the Company raised approximately \$2.2 million (before costs) in the Placement of 41.1 million ordinary shares at 5.5 cents per shares. On the same date the Company also announced a fully underwritten Rights Issue of 1 new share for every 3 shares held with a total of 105,222,283 shares being issued, together with one (1) free new Option for every three (3) new Shares issued, raising approximately \$5.7 million (before costs).

The total amount expected to be raised by the Placement and Rights Issue is up to \$8,047,725 (before costs). The Rights Issues was fully underwritten by Patersons Securities Pty Ltd. The Company currently has no approved commitments other than accelerating programs once the Company has received the proceeds from its Rights Issue.

The directors have prepared a forecast for the foreseeable future. It is the intention of the company to farm out the more expensive wells in its exploration programme to limit or eliminate the company's financial exposure.

2 Segment Information

The group has adopted AASB 8 Operating Segments from 1 July 2009 whereby segment information is presented using a 'management approach', i.e. segment information is provided on the same basis as information used for internal reporting purposes by the executive management team that makes strategic decisions.

The executive management team comprises of the executive and non executive members of the board. The executive management team has determined that there are no operating segments because no discrete information is provided to them and no segment information has therefore been disclosed. The executive management team only receive consolidated financial information for the group.

3 Contingent Liabilities and Commitments

There are no current commitments approved by the Board.

There have been no changes in contingent liabilities or contingent assets since the end of the previous annual reporting period, 30 June 2010.

4 Events occurring after balance sheet date

There were no significant events after the reporting date, other than, on the 3 March 2011, the Company raised approximately \$2.2 million (before costs) in the Placement of 41.1 million ordinary shares at 5.5 cents per shares.

On the same date the Company also announced a fully underwritten Rights Issue of 1 new share for every 3 shares held with a total of 105,222,283 shares being issued, together with one (1) free new Option for every three (3) new Shares issued, raising approximately \$5.7 million (before costs). The total amount raised by the Placement and Rights Issue is up to \$8,047,725 (before costs). The Rights Issues was fully underwritten by Patersons Securities Pty Ltd.

On 1 January 2011, Burleson Energy Limited completed the repayment of the \$1.45m convertible notes, which fell due for repayment on 31 December 2010.

5 Dividends

No dividends have been paid during the period.

6 Equity Securities Issued

	Dec 2010	Half Year Dec 2010 Issue Price \$	Dec 2010 \$	Dec 2009	Half Year Dec 2009 Issue Price \$	Dec 2009 \$
Opening balance	205,925,152	-	21,471,870	116,778,915	-	16,549,277
Issues of Ordinary Shares During the Half-Year	68,641,717	0.055	3,775,294	17,516,837	0.05	875,842
Cost of Issue			(1,243,995)	-	-	(102,550)
Closing balance	274,566,869	-	24,003,169	134,295,752	-	17,322,569

Declaration by Directors

The directors of the company declare that:

(a) The financial statements and notes set out on pages 7 to 13 are in accordance with the Corporations Act 2001 and:

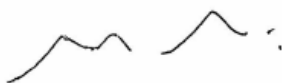
(i) comply with Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and

(ii) give a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the half-year ended on that date.

(b) 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.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:

Dated at Sydney this 9th day of March 2011



.....
Michael Sandy
Executive Director

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Burleson Energy Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Burleson Energy Limited, which comprises the statement of financial position as at 31 December 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity.

Directors' Responsibility for the Half-Year Financial Report

The directors of the disclosing entity are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Burleson Energy Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Conclusion

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Significant Uncertainty Regarding Continuation as a Going Concern

Without qualification to the conclusion expressed above, we draw attention to Note 1 to the half-yearly financial statements. The consolidated entity's \$1.45m convertible note was repaid in January 2011. On 3 March 2011, the Company raised approximately \$2.2 million (before costs) in the Placement of 41.1 million ordinary shares at 5.5 cents per shares. The consolidated entity anticipates that additional funding will be forthcoming, however, as at the date of this report, the availability of this funding has not been confirmed. Should appropriate funding not be raised, there is significant uncertainty whether the consolidated entity will be able to continue its planned accelerated exploration activities.



BDO Audit (NSW-VIC) Pty Ltd



Wayne Basford

Director

Sydney, 9 March 2011