Xtract Energy Plc
Interim results
For the six months ended 31 December 2008

AIM: XTR

XTRACT ENERGY PLC

Interim Results for the six months ended 31 December 2008

Xtract Energy Plc (“Xtract” or “the Company”) announces its unaudited interim results for the six months ended 31 December 2008.

Financial Highlights

- Net loss of £10.1 million (31 December 2007: £2.3 million profit) after £9.4 million intangible asset impairment
- Cash of £1.7 million (30 June 2008: £6.4 million)
- Net assets of £11.3 million (30 June 2008: £30.1 million)

Operational Highlights

- Extrem Energy AS: US$5.0 million provided towards a new joint venture with Merty Energy, initially focused on the exploitation of a portfolio of seven licence interests in Turkey
- Zhibek Resources Ltd: Farm-out of 75% interest in former subsidiary to Santos International Holdings Pty Ltd in exchange for exploration funding commitments of up to US$8.5 million of first US$10 million to be spent.
- Xtract Oil Ltd: Scale-back and hibernation of oil shale technology development following a two-year review period for oil shale developments announced by the Queensland state government
- Extrem Energy AS: Successful discovery of oil by Sarikiz-2 well in south-west Turkey with total oil in place estimated at up to 110 million barrels. Production test expected April
- Elko Energy Inc: Replacement board elected following a process initiated by Xtract and fellow major shareholder DM Bray Capital LLC

Post-period Highlights

- MEO Australia Ltd: Drilling of the Zeus-1 well in the North West Shelf offshore Western Australia commenced on 17 January 2009 and is ongoing. The two target zones are estimated to contain up to 18.7 Tcf of natural gas
- MEO Australia Ltd: Disposal by Xtract of 3.1 million shares in MEO raising A$1.0 million for investment and working capital The average sale price was A$0.33 compared to the carrying value at 31 December 2008 of A$0.15.

Andy Morrison, Chief Executive of Xtract Energy commented, “The world has continued to change since we issued our annual report, and the Company has had to adapt accordingly. Our portfolio actions have focused on minimizing operating expenses while investing in a new business with near term production potential. We believe that there are now better prospects for the Company in the coming months than those offered by the oil shale business. By maintaining the oil shale mineral rights at limited cash expense, Xtract retains the option to exploit the resource when investment conditions are more supportive".

Xtract Energy Plc
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CHAIRMAN'S REVIEW

The first six months of the financial year have been marked by financial turmoil and declining commodity prices that have made for extremely challenging investment conditions. Share prices for smaller quoted energy firms such as Xtract continued to decline, driven in part by the need for liquidity of hedge funds and other investors.

Against this back-drop, Xtract has had to make some tough decisions to reduce cash burn and to focus its investments in the most promising areas. This included placing the technology development of Xtract Oil into hibernation, thereby triggering the write off the intangible assets associated with the Australian oil shale business contributing the major part of the £10.1 million loss for the period. The Company also decided that action was required to change the board at Elko Energy in order to help protect and advance shareholder interests in the new business environment.

Given the circumstances, I am pleased to be able to say that there are also some notable positive achievements to report in the period. Early indications are that our new joint venture in Turkey may have made a more promising oil discovery than was expected with its first on-shore well and that company has the potential to become a valuable part of the portfolio. Formal approval for the transfer of licenses, including the license relative to the discovery into Extrem Energy A.S is pending, with Production testing scheduled to commence at the end of March with the potential of production commencing in May 2009.

We also succeeded in putting our interests in Kyrgyzstan onto a stable footing by ending our involvement in the water injection project and farming out 75% of the exploration venture to Santos in exchange for commitments to fund up to US$8.5 million. This will be available to help fund a 2009-10 exploration programme should the initial seismic results prove promising.

The immediate future for Xtract will be shaped to an important extent by the outcome of MEO Australia Ltd's current drilling campaign in the North-West Shelf of Australia which will do much to crystallize the value of our investment in that company. As the picture there, and with other investments becomes clearer, the board will respond appropriately to the opportunities and challenges that may emerge.

MEO Australia Ltd ("MEO")

MEO is an Australian quoted company and represents the most mature and most liquid asset within Xtract's portfolio. Xtract aims to keep a significant proportion of its assets in quoted companies in order to provide the liquidity required to fund its other portfolio companies and working capital.

On 4 July 2008, MEO announced a strategic alliance with Resource Development International (RDI), an entity associated with Clive Palmer who has extensive and long standing business connections in China. As part of the alliance Prof. Palmer's private company Mineralogy subscribed for 21.4 million shares in MEO at A$0.55, contributing A$11.8 million in working capital before costs. MEO granted RDI options to farm-in to WA-359-P, WA-360-P and NT/P68 contingent upon RDI achieving a successful IPO by the end of 2008. Market conditions prevented the IPO and the options lapsed.

Despite the lapse of the above options, RDI is funding 80% of the Zeus-1 well currently being drilled in WA-361-P to a cap of US$31.3 million to earn a 35% interest in that permit. If Zeus-1 discovers hydrocarbons, RDI will pay for MEO's share of two additional wells in this permit. The well spudded on 17 January 2009. Pre-drill volumetric gas-in-place estimates are 15 Tcf for the primary Legendre sandstone target and 3.7 Tcf for the shallower Forrestier sandstone secondary target.

MEO continues to identify additional prospects in its licence areas. The most advanced is the Artemis prospect identified on the MEO 3D seismic acquired in late 2007. The presence of bright amplitudes together with an AVO signature normally associated with hydrocarbons is viewed as very encouraging for a potential gas accumulation. Initial volumetric estimates indicate gas-in-place upwards of 5 Tcf.

In the NT/P68 licence area that was drilled in early 2008, the final Blackwood 3D seismic survey is now expected before the end of January. This data will be used to refine the resource estimate for this discovery and to plan the appraisal drilling program.

MEO continued to market the Tassie Shoal infrastructure hub concept based on its compelling economics and integrated CO_2 solution. The harsh economic environment and reduced commodity prices prevailing since mid-2008 is expected to position MEO's approved Gas-To-Liquids projects favorably compared to higher-cost on-shore alternatives

Xtract aims to provide its investors with significant upside potential that would arise from success at Zeus-1, whilst at the same time ensuring that its other portfolio businesses have sufficient funding whatever the drilling result.

Extrem Energy AS ("Extrem")

On 16 July 2008 Xtract completed an agreement with Merty Energy, Petroleum Exploration, Education and Services Inc ('Merty') of Turkey regarding an investment in Extrem, a new exploration and production joint venture initially focused on Turkey, where Merty has particular expertise and experience.

Extrem is a new Turkish company in which Xtract initially holds a 20% interest. During the period, Xtract provided a total of US$5.0 million to fund the initial work programme of Extrem and Merty applied for the transfer of a portfolio of seven licence interests into Extrem, with this expected to be completed in the short term. Xtract has the option to increase its shareholding to 34% by contributing a further US$3.5 million before 30 June 2009.

The seven licence interests to be transferred to Extrem include 100% interests in offshore licences at Candarli Bay and in the Sea of Marmara and onshore licences at Edirne and Siraseki plus an 80% interest in an onshore licence at Alasehir/Sarakiz. The remaining 20% of the Alasehir/Sarakiz licence continues to be owned by Turkish company, Petrako Petrol Gas and Industrial Co. The intention is that the lower risk onshore developments at Alasehir/Sarakiz and at Edirne will provide early oil and gas revenues that will enable the company to self-finance the development of other licences, including the significant prospect at Candarli Bay.

The first joint venture well was Sarikiz-2 in the Alasehir/Sarakiz licence area which was spudded on 31 October 2008 and completed on 7 December. Following the completion of the logging procedures, 23 levels of sandstone were determined to have producible oil. Of these, 12 levels with a combined reservoir thickness of 75m have been selected for production testing.

The total reservoir thickness encountered greatly exceeded the pre-drill estimate of 10m and therefore underpinned a significant increase in the estimated oil in place. Based only on the producible area from the well at 0.3 km^2, the oil in place is estimated to be 16.5 million barrels. With the expected recovery factor upgraded from 20% to 35% based on testing results and permeability also upgraded to 10-80md from pre-drill estimates, the recoverable oil in place from the single well is estimated to be 5.8million barrels. If repeated across the estimated 2.0km^2 of the Sarikiz field, the total oil in place would be 110 million barrels, compared with the pre-drill estimate of 16 million barrels and the corresponding total estimated recoverable oil from the 2.0km^2 field would be 38 million barrels
Following the successful drilling campaign, Extrem Energy intends to conduct test production in March-April 2009. To test the 12 levels will take approximately one month. The test will also enable an appropriate categorization of the reserves and resources in place. During the early part of 2009, field development plans and engineering designs for the surface facilities for production will be prepared. Production from the well is expected to be at least 500barrels per day. Laboratory reports on the quality of the oil indicate good quality 33.5 API oil.

Zhibek Resources Ltd ("Zhibek")

On 17 November 2008 Xtract completed a farm-in agreement with Santos International Holdings Pty Ltd ("Santos"), in relation to Xtract's wholly-owned subsidiary, Zhibek.

Under the agreement, provided that Santos find the 2D seismic results favourable, Santos is committed to funding up to US$8.5 million of Zhibek's US$10 million near-term exploration programme over a number of licence areas in the Fergana basin area in the Kyrgyz Republic, to earn a 75% interest in Zhibek. Seismic acquisition commenced in December 2008. If the seismic results are in line with expectations, a well is planned. Santos has assumed operatorship and control of Zhibek. Xtract retains representation on the Board of Zhibek and is expected to contribute up to US$1.5 million to Zhibek's funding in the 2nd stage of the exploration programme.

As part of re-arranging its Central Asian investments, commitments, and staffing, Xtract ceased its involvement in the development of a water injection project at the Beshkent-Togap oil field. Xtract's participation in the Kyrgyz Republic is now focused on its minority interest in Zhibek.

The above arrangements significantly reduce overall cash burn for Xtract and enable the Company to gain exposure to a potentially interesting exploration target at a manageable level of investment.

Xtract Oil Ltd (“XOL”)

In August 2008, the Queensland Premier announced a 20-year moratorium on a proposed oil shale development in the Whitsunday coastal region, and a 2-year review period for oil shale developments throughout the state, during which time no new mining activity would be permitted. Although the mineral rights of XOL were not affected, the review created uncertainty over the extraction of the underlying oil shale.

XOL held a meeting with representatives of the Queensland government to present the progress of XOL's technology and to understand the proposed review process. Whilst response to the technical progress was encouraging, the government representatives were not able to give much further information about the review process or its likely impact.

In recent months, the sustained adverse market conditions and a heightened uncertainty over the outlook for oil prices have necessitated a reassessment of the Group’s investment priorities.

Under these circumstances, Xtract took the decision to scale back significantly its projected investment in the development of oil shale technology. The net investment by XOL in the current financial year is now estimated to be A$0.9 million, the majority of which has already been committed.

As a result of this decision, the project entered a 'hibernation' phase until conditions improve sufficiently to attract further investment. XOL intends to maintain its mineral rights over its 2.12 billion barrels of indicated and inferred resources.

Elko Energy Inc (“Elko”)

Through its Danish subsidiary Elko operates the largest exploration licence in Denmark with an area of 1.3 million acres offshore. The licence area offers P50 un-risked net prospective resources of 1.8 billion barrels of oil or 8.4 Tcf of gas (independently evaluated by Tracs International, an independent reservoir engineer, in May 2008). Elko owns 80% of License 02/05, located offshore Denmark, with 20% held by a Danish government entity.

In the Netherlands sector of the North Sea, Elko operates two gas-bearing exploration blocks. Block P1 is located on the southern margin of Southern Permian Gas basin and covers approximately 209 km^2 (51,623 acres). Seven wells have been drilled by previous operators, of which five encountered gas on three separate structures. Block P2 is directly adjacent and east of Block P1. Elko holds a net 33% interest in the two licences. Partners are Oyster Energy BV (“Oyster”) which owns a 27% working interest and Energie Beheer Nederland B.V. which owns a 40% working interest.

Progress on the Dutch assets was hampered during 2008 by the lack of a joint operating agreement and the inability of Oyster to attract interest in the intended disposal of its holding. This situation has become more acute with the decline in oil and gas prices. Furthermore, Elko did not meet its objective of making an Initial Public Offering and a listing on a recognised stock exchange within one year of the pre-IPO fund-raising completed in December 2007.

At a Board meeting held on 12 December 2008 three independent non-executive directors of the Company resigned, together with the CEO, Rudolf Kleiber. John Conlon (a director of Xtract) and Jack Bray were appointed and Jeremy Kane agreed to remain as an independent non-executive director for a temporary period to continue to represent the interests of the minority shareholders. Andy Morrison remained on the Board and became Acting CEO of Elko, pending the appointment of Peter Moir who was appointed as director, President and CEO of Elko and commenced full time employment on 26 January 2009. Originally qualified as a Petroleum Engineer, Peter has spent his whole career in the upstream energy business. His recent senior executive positions include Asset General Manager for the Central North Sea area for British Gas (BG Group Plc).

The changes to the Board were the outcome of a process initiated by Xtract and DM Bray Capital LLC the two largest shareholders of the Company on 4 November 2008. These two shareholders, representing approximately 48% of the voting interests in the Company called for the replacement of the Board with a new slate of directors.

The new Elko board is working to advance the asset portfolio and to bring the company to a liquidity event as soon as possible. With equity and debt markets now largely inaccessible to small-cap companies, Elko expects to find funding partners amongst strategic and industry participants.

Wasabi Energy Ltd ("Wasabi") and Other Businesses

Xtract continues to hold approximately 19.4% of Wasabi, a diversified investor in traditional and renewable energy technologies. Amongst its listed assets Wasabi holds approximately 36.36% of Rum Jungle Uranium Ltd, which has interests in uranium exploration licenses covering some 4,150 km^2 of Australia's Northern Territory, and approximately 12.5% of Greenearth Energy Ltd, which aims to explore and develop geothermal resources in Australia and the wider Pacific Rim.

On 19 September 2008, Xtract announced the creation of a joint venture company in Morocco, Xtract Energy (Oil Shale) Morocco S.A. for the evaluation and possible development of an oil shale deposit near Tarfaya, in the south west of the country. A decision as to whether to conduct an initial pre-feasibility study is pending. An early stage project in the Nevis Valley in New Zealand is on hold and discussions about participation in Egypt have been discontinued.

Xtract continues to focus on its strategy of identifying and building a diversified portfolio of high-potential businesses in the energy sector to provide growth opportunities over the short, medium and longer term. Xtract works closely with the management teams of its investee companies to help them reach critical milestones and build value.

John Newton
Executive Chairman

Note

The information in this announcement relating to Extrem Energy has been reviewed and approved by Ongun Yoldemir, Managing Director of Extrem Energy, who has a masters degree in Geological engineering and worked as an explorationist in the oil and sector in the middle east, Kazakhstan, Azerbaijan, and north sea, has over 28 years' experience in the resource and energy sector and is a member of the American Association of Petroleum Geologists, European Association of Geologists and Engineers, the Society of Exploration Geophysicists and several related Turkish institutions.

The information in this announcement relating to XOL's resources has been reviewed by Dr John E. Shirley, Managing Director of XOL. Dr. Shirley has a BSc and PhD in Geophysics from the University of Tasmania, over 40 years experience in the resources and energy sector and is a member of the Society of Petroleum Engineers.

The information in this announcement relating to the resources of Xtract's other investee companies (none of which are subject to the AIM Rules) has not been reviewed by a named "qualified person" as defined and required by the AIM Guidance Note for Mining, Oil and Gas Companies.

Xtract Energy Plc
Consolidated income statement
For the six months ended 31 December 2008

	Notes	Six months ended 31 December 2008 *Unaudited* £'000	Six months ended 31 December 2007 *Unaudited* £'000	Year ended 30 June 2008 *Audited* £'000
Administrative and operating expenses		(1,676)	(1,395)	(2,885)
Other operating income		16	5	-
Share of results of associates	6	(636)	(906)	(1,707)
Operating loss		**(2,296)**	**(2,296)**	**(4,592)**
Investment revenue		100	55	207
Other gains and losses	3	(9,375)	6,046	5,340
(Loss)/Profit before tax		**(11,571)**	**3,805**	**955**
Tax benefit/(expense)		2,511	(1,461)	(932)
(Loss)/Profit for the period/year from continuing operations		**(9,060)**	**2,345**	**23**
Discontinued operations				
Loss for the period/year from discontinued operations	10	(1,039)	(32)	(811)
(Loss)/Profit for the period/year		**(10,099)**	**2,313**	**(788)**
Net (loss)/Earnings per share				
From continuing operations:				
Basic (pence)	4	(1.21)	0.33	(0.00)
Diluted (pence)	4	(1.21)	0.30	(0.00)
From continuing and discontinued operations				
Basic (pence)	4	(1.34)	0.33	(0.11)
Diluted (pence)	4	(1.34)	0.30	(0.11)

Xtract Energy Plc
Consolidated statement of recognised income and expense
For the six months ended 31 December 2008

	Six months ended		Year ended
	31 December 2008	**31 December 2007**	**30 June 2008**
	Unaudited	*Unaudited*	*Audited*
	£'000	**£'000**	**£'000**
(Losses)/gains on revaluation of available-for-sale investments taken to equity	(11,357)	19,268	(1,963)
Movements in share based payments reserve of associates taken to equity	-	253	-
Unwinding of previously deferred fair value gains on transfer to investment in associate	-	-	(547)
Exchange differences on translation of foreign operations	152	219	829
Tax credit/(expense) on items taken directly to equity	3,407	(5,820)	540
Net (loss)/income recognised directly in equity	(7,798)	13,920	(1,141)
Transferred to income statement on sale of available-for-sale investment	-	-	(1,558)
(Loss)/profit for the period	(10,099)	2,313	(788)
Total recognised income and expense for the period	(17,897)	16,233	(3,487)

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Xtract Energy Plc
Consolidated balance sheet
As at 31 December 2008

	Notes	31 December 2008 *Unaudited* £'000	31 December 2007 *Unaudited* £'000	30 June 2008 *Audited* £'000
Non-current assets				
Intangible assets	5	65	11,974	10,494
Property, plant and equipment		30	298	28
Investments in associates	6	4,175	7,746	3,900
Financial assets – available-for-sale	7	4,605	39,323	15,962
Deferred consideration	10	610	-	-
Deferred tax asset		823	501	595
		10,308	59,842	30,979
Current assets				
Inventories		-	118	-
Derivative financial instruments		12	376	23
Trade and other receivables		714	281	130
Cash and cash equivalents		1,698	4,670	6,362
Prepayments	11	2,653	-	-
Assets held for sale		-	-	2,324
		5,077	5,445	8,839
Total assets		**15,385**	**65,287**	**39,818**
Current liabilities				
Trade and other payables		362	390	439
Current tax liabilities		3,701	2,838	3,636
Liabilities directly associated with assets classified as held for sale		-	-	69
		4,063	3,228	4,144
Net current assets		1,014	2,217	4,695
Non-current liabilities				
Deferred tax liabilities		-	13,050	5,595
Total liabilities		**4,063**	**16,278**	**9,739**
Net assets		**11,322**	**49,009**	**30,079**

Xtract Energy Plc
Consolidated balance sheet (continued)
As at 31 December 2008

	Notes	31 December 2008 *Unaudited* £'000	31 December 2007 *Unaudited* £'000	30 June 2008 *Audited* £'000
Equity				
Share capital	8	752	734	752
Share premium account	8	24,394	24,168	24,394
Share based payments reserve	8	967	636	956
Available-for-sale investment reserve	8	(10,931)	14,035	(2,981)
Revaluation reserve	8	-	962	962
Foreign currency translation reserve	8	963	188	811
Retained earnings	8	(4,823)	8,377	5,276
Equity attributable to equity holders of the parent		11,322	49,100	30,170
Minority interest	8	-	(91)	(91)
Total equity		**11,322**	**49,009**	**30,079**

The financial statements were approved by the Board of directors and authorised for release on 6 February 2009. They were signed on its behalf by Andy Morrison, Director

Xtract Energy Plc
Consolidated cash flow statement
For the six months ended 31 December 2008

	6 month Period ended 31 December 2008	6 month Period ended 31 December 2007	Year ended30 June 2008
	Unaudited	*Unaudited*	*Audited*
	£'000	**£'000**	**£'000**
Net cash used in operating activities	(1,264)	(1,574)	(2,431)
Investing activities			
Interest received	100	55	207
Government grants	-	5	119
Purchase of property, plant and equipment	(239)	(69)	(83)
Disposal of property, plant and equipment	-	2	-
Acquisition of intangible assets	-	(24)	(78)
Disposal of trading investments	-	345	665
Purchase of trading investments	(590)	(433)	(433)
Disposal of available for sale investments	-	-	1,086
Purchase of available for sale investments	-	-	(424)
Disposal of associates	-	8,515	9,751
Acquisition of associates	-	(4,224)	(4,223)
Net cash (used in)/from investing activities	(729)	4,172	6,587
Financing activities			
Proceeds on issue of shares	-	398	642
Short term loans to third parties	(2,653)	-	-
Net cash (used in)/from financing activities	(2,653)	398	642
Net (decrease)/increase in cash and cash equivalents	(4,646)	2,996	4,798
Cash and cash equivalents at beginning of period	6,362	1,582	1,582
Effect of foreign exchange rate changes	(18)	92	(18)
Cash and cash equivalents at end of period	1,698	4,670	6,362

1. Corporate information

The interim consolidated financial statements of the Group for the six months ended 31 December 2008 were authorised for issue in accordance with a resolution of the directors on 6 February 2009.

Xtract Energy Plc is a company incorporated in the United Kingdom under the Companies Act 2006. The company's ordinary shares are traded on the AIM market of the London Stock Exchange.

2. Basis of preparation

Xtract Energy Plc prepares its Group Financial Statements on the basis of International Financial Reporting Standards (IFRS) as adopted for use by the European Union (EU). The interim financial information presented herein has been prepared in accordance with the accounting policies expected to be used in preparing the Group Financial Statements for the year ending 30 June 2009 which do not differ significantly from those used for the 2008 Group Financial Statements.

The interim consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the period ended 30 June 2008.

The interim financial information is not audited and does not constitute statutory accounts within the meaning of section 240 of the Companies Act 2006. Comparative figures for the year ended 30 June 2008 have been extracted from the 2008 Group Financial Statements which received a modified opinion with respect to going concern from the auditors and have been filed with the Registrar of Companies.

The interim financial information is presented in Sterling and all values are rounded to the nearest thousand pounds (£'000) unless otherwise stated.

3. Other gains and losses

An analysis of the Group's other gains and losses are as follows:

	Six months ended 31 December 2008 £'000	Six months ended 31 December 2007 £'000	Year ended 30 June 2008 £'000
Continuing Operations			
Disposal of associate	-	3,335	2,920
Disposal of available for sale investments	-	1,002	568
Other income	-	182	255
Research and development grants	-	-	119
Fair value movement on derivative assets	(8)	272	233
Gain on dilution of interests in associates	-	1,255	1,245
Impairment of intangible assets	(9,367)	-	-
Total other gains and losses from continuing operations	(9,375)	6,046	5,340
Discontinuing Operations			
Impairment of intangible assets	-	-	(530)
Gains/(Losses) on disposals of fixed assets	(477)	-	1
Loss on dilution of subsidiary (note 10)	(698)	-	-
Total other gains and losses	(10,550)	6,046	4,811

4. Earnings per share

The calculation of the basic and diluted earnings per share is based on the following data:

From continuing operations

Earnings	Six months ended 31 December 2008 £'000	Six months ended 31 December 2007 £'000	Year ended 30 June 2008 £'000
Earnings for the purposes of basic earnings per share being net profit attributable to equity holders of the parent	(9,060)	2,345	23
Number of shares			
Weighted average number of ordinary shares for the purposes of basic earnings per share	751,756,026	709,330,848	729,535,781
Effect of dilutive potential ordinary shares – options and warrants	-	63,236,220	22,078,162
Weighted average number of ordinary shares for the purposes of diluted earnings per share	751,756,026	772,567,068	751,613,943

From continuing and discontinued operations

Earnings	Six months ended 31 December 2008 £'000	Six months ended 31 December 2007 £'000	Year ended 30 June 2008 £'000
Earnings for the purposes of basic earnings per share being net profit attributable to equity holders of the parent	(10,099)	2,313	(788)
Number of shares			
Weighted average number of ordinary shares for the purposes of basic earnings per share	751,756,026	709,330,848	729,535,781
Effect of dilutive potential ordinary shares – options and warrants	-	63,236,220	-
Weighted average number of ordinary shares for the purposes of diluted earnings per share	751,756,026	772,567,068	751,535,781

As in the period ended 31 December 2008, where a loss has occurred, basic and diluted earnings per share are the same because the outstanding share options and warrants are anti-dilutive.

5. Intangible Assets

Exploration and Evaluation assets	*Total* *£'000*
At 30 June 2008	10,494
Foreign currency translation	(101)
Written off during the period (a)	(10,328)
Additions	25
Transfer out on sale of subsidiary	(25)
At 31 December 2008	65

(a)The assessment of intangible assets for any indications of impairment involves judgment. If an indication of impairment, as defined in IFRS 6 Exploration for and Evaluation of Mineral Reserves exists, a formal estimate of recoverable amount is performed and an impairment loss recognised to the extent that carrying amount exceeds recoverable amount, as prescribed by IAS 36 Impairment.

During the period under review, impairment indicators were identified in regard to mining rights for oil shale reserves, an intangible exploration and evaluation asset previously recognised in relation to Xtract Oil Limited. In recent months, the sustained adverse market conditions and a heightened uncertainty over the outlook for oil prices have necessitated a reassessment of the Group's investment priorities. Under these circumstances, Xtract took the decision to scale back significantly its projected investment in the development of oil shale technology.

Due to the early stage of the exploration and evaluation of these mining rights, the directors are not able to establish a reliable and supportable estimate of recoverable amount as per the requirements of IAS 36 Impairment. Whilst the directors remain committed to the project in the long term, and perceive that the mining rights do continue to have potential value, because of the early development stage of the project, the perceived potential value is not supportable under the applicable accounting standards, as noted. Therefore the balance of mining rights, of £10,328,327 is deemed to be impaired and has been written down to nil through the profit and loss statement in the current period.

6. Interests in Associates

Details of the Group's associates for the period ended 31 December 2008 are as follows:

	31 December 2008 £'000	31 December 2007 £'000	30 June 2008 £'000
At beginning of the period	3,900	23,818	23,818
Investment in associate (a)	1	6,621	6,953
Exercise of options in associate	-	333	128
Transferred from subsidiaries(b)	470	-	-
Transferred from derivatives	-	128	818
Transferred to available for sale investments (note 7)	-	(18,268)	(21,021)
Disposal of investment in associate	-	(5,180)	(6,847)
Profit on dilution of interests in associates	10	1,255	1,245
Share of associates losses for the period	(370)	(906)	(1,707)
Share of associates' share based payments reserve	-	91	493
Share of associates' foreign currency translation reserve	-	(2)	-
Share of associates' available for sale reserve	-	(188)	-
Impairment of investment in associate (note 10)	(266)	-	-
Exchange translation	430	44	20
At end of the period	4,175	7,746	3,900

a) Includes investment in new associate Extrem Energy during the period.

b) During the period, 75% of Zhibek Resources Limited, formerly a wholly owned subsidiary of Xtract International Limited, was sold to a third party (refer to note 10), with the remaining investment now accounted for an associate.

Name	Place of Incorporation and Operation	Date associate interest acquired	Proportion of ownership & voting power held %	Principal Activities
Extrem Energy A.S.	Turkey	02/10/08	20	Oil & gas exploration
Elko Energy Limited	Canada	15/11/06	35.03	Oil & gas exploration
Zhibek Resources Limited i)	U.K/Kyrgyzstan	17/11/08	25	Energy and technology investments

i) Transferred from subsidiaries during the period, refer to note 10.

7. Available-for-sale investments

Details of the Group's available-for-sale investments for the period ending 31 December 2008 are as follows:

	31 December 2008 £'000	31 December 2007 £'000	30 June 2008 £'000
At beginning of the period	15,962	3,206	3,206
Unwinding of fair value on transfer to investment in associate	-	(547)	(547)
Movement in fair value prior to transfer to investment in associate	-	-	26
Transferred to investments in associates	-	-	(818)
Transferred from investments in associates	-	18,268	21,021
Acquired during the period	-	-	424
Disposals	-	(4,274)	(5,359)
Movement in fair value (a)	(11,357)	22,670	(1,991)
At end of the period	4,605	39,323	15,962

(a) Movement in fair value of investments during the period based on the market value of shares held

Available-for-sale investments comprise the Group's investment in listed securities and unlisted securities, which have been held by the Group for long term returns.

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8. Reconciliation of changes in equity

	Share Capital	Share premium account	Share based payments reserve	Available-for-sale investments reserve	Revaluation reserve	Foreign currency translation reserve	Retained Earnings	Minority Interest	Total Equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 July 2007	704	23,800	411	547	962	(18)	6,064	(91)	32,379
Issue of shares	30	368	-	-	-	-	-	-	398
Share based payments expense	-	-	162	-	-	-	-	-	162
Gain on revaluation of available-for-sale investments	-	-	-	22,670	-	-	-	-	22,670
Unwinding of fair value on transfer to investment in associate	-	-	-	(545)	-	-	-	-	(545)
Deferred tax on revaluation of available-for-sale investments	-	-	-	(6,638)	-	-	-	-	(6,638)
Transfer of available-for-sale revaluations to income statement on disposal	-	-	-	(2,669)	-	-	-	-	(2,669)
Transfer of deferred tax on revaluation of available-for-sale assets on disposal	-	-	-	802	-	-	-	-	802
Share of associates reserves	-	-	91	(188)	-	(1)	-	-	(98)
Deferred tax on share of associates reserves	-	-	(28)	56	-	(12)	-	-	16
Currency translation differences	-	-	-	-	-	219	-	-	219
Profit for the period	-	-	-	-	-	-	2,313	-	2,313
At 31 December 2007	**734**	**24,168**	**636**	**14,035**	**962**	**188**	**8,377**	**(91)**	**49,009**
Issue of shares	18	226	-	-	-		-	-	244
Share based payments expense	-	-	37	-	-		-	-	37
Movement in share based payments reserves of associates	-	-	404	-	-	-	-	-	404
Tax effect of movement in share based payments reserves of associates	-	-	(121)	-	-	-	-	-	(121)
Loss on revaluation o of available-for-sale investments	-	-	-	(24,843)	-	-	-	-	(24,843)
Unwinding of fair value on transfer to investment in associate	-	-	-	188	-	-	-	-	188
Tax effect of unwind of fair value of transfer to investment in associate	-	-	-	(56)	-	-	-	-	(56)
Deferred tax on revaluation of available-for-sale investments	-	-	-	7,390	-	-	-	-	7,390
Transfer of available-for-sale revaluations to income statement on disposal	-	-	-	435	-	-	-	-	435
Transfer of deferred tax on revaluation of available-for-sale assets on disposal	-	-	-	(130)	-	-	-	-	(130)
Currency translation differences	-	-	-	-	-	605	-	-	605
Tax effect of currency translation differences	-	-	-	-	-	18	-	-	18
Loss for the period	-	-	-	-	-	-	(3,101)	-	(3,101)
At 30 June 2008	**752**	**24,394**	**956**	**(2,981)**	**962**	**811**	**5,276**	**(91)**	**30,079**

8. Reconciliation of changes in equity (continued)

	Share Capital	Share premium account	Share based payments reserve	Available-for-sale investments reserve	Revaluation reserve	Foreign currency translation reserve	Retained Earnings	Minority Interest	Total Equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 July 2008	752	24,394	956	(2,981)	962	811	5,276	(91)	30,079
Share based payments expense	-	-	11	-	-	-	-	-	11
Loss on revaluation of available-for-sale investments	-	-	-	(11,357)	-	-	-	-	(11,357)
Deferred tax on revaluation of available-for-sale investments	-	-	-	3,407	-	-	-	-	3,407
Currency translation differences	-	-	-	-	-	395	-	-	395
Tax effect of currency translation differences	-	-	-	-	-	(130)	-	-	(130)
Deconsolidation on sale of subsidiary	-	-	-	-	-	(113)		91	(22)
Impairment of revaluation reserve	-	-	-	-	(962)	-	-	-	(962)
Loss for the period	-	-	-	-	-	-	(10,099)	-	(10,099)
At 31 December 2008	**752**	**24,394**	**967**	**(10,931)**	**-**	**963**	**(4,823)**	**-**	**11,322**

9. Going Concern

Historically, the Group's portfolio of listed investments has provided a relatively liquid source of funding when required.

At 31 December 2008, the Group's available-for-sale investment portfolio, which consists of investments in MEO Australia Ltd of 59,147,814 shares at A$ 0.145 and in Wasabi Energy Ltd, of 153,176,786 shares at A$ 0.007, had a total market value of £4,605,000. This has resulted in a decrease to the market value of the portfolio compared to 30 June 2008 of £11,357,000, caused by prevailing conditions across equity markets.

At current share prices, the majority of the available-for-sale portfolio would need to be realised in order to meet committed investments and budgeted operating costs and overheads. Consequently, there is a material uncertainty in that a further decrease in the market value of the investment portfolio would cast a significant doubt as to the Group's ability to continue as a going concern and therefore to realise its assets and discharge its liabilities in the normal course of business.

Having taken into account this material uncertainty, the Directors have a reasonable expectation that the Group will be able to continue as a going concern and therefore the financial statements have been prepared on this basis.

10. Sale of 75% of Zhibek Resources Limited

On the 17 November 2008, Xtract International Limited, a wholly owned subsidiary of Xtract Energy Plc, entered in to a Farm In Subscription Agreement over it's wholly owned subsidiary, Zhibek Resources Limited ('Zhibek'). Under the terms of the agreement, Santos International Holdings Pty Ltd ('Santos'), a subsidiary of Santos Ltd, was issued shares to provide them with a 75% ownership interest in Zhibek. Santos will fund up to USD $8.5 million of Zhibek's near term exploration programme, and assume operatorship and control of Zhibek. Xtract will maintain a presence on the board of Zhibek and will contribute USD $1.5 million to Zhibek in the latter stages of the near term exploration programme.

10. Sale of 75% of Zhibek Resources Limited (continued)

Based on the terms of the Farm In Subscription Agreement, consideration received for the deemed disposal of 75% of Xtracts' interest in Zhibek has been established as the minimum excess funding to be provided by Santos over and above their ownership stake, being USD $1 million. This consideration has been discounted using a rate of 15%, a rate deemed appropriate by the directors given the circumstances of the transaction, over the estimated time required to complete the near term exploration programme of 2 years. Accordingly the net present value of the deferred consideration for this transaction has been calculated at £609,793.

The details of assets and liabilities sold are as follows:

	As at 17 November 2008 £'000
Carrying value of subsidiary sold	1,778
Consideration received	610
Value of associate retained	470
Loss on sale	**698**

On the deemed disposal Xtract have recognised their remaining interest in Zhibek at 25% of Zhibek's previous carrying value of £470,000.

The directors undertook an impairment assessment of the investment in the associate and concluded that an impairment charge of £266,000 should be recognised in order to reflect the associate balance at it's fair value indicated by the purchase consideration received from Santos (Refer to note 6)

The Group's balance sheet at 31 December 2008 reflects the following position with respect to Zhibek:

Investment in associate	204
Deferred consideration	610
	814

Zhibek has been reflected as a discontinued operation for the periods ended 31 December 2007 and 31 December 2008.

11. Prepayments

	31 December 2008 £'000	31 December 2007 £'000	30 June 2008 £'000
Prepayments	2,653	-	-

During the period Xtract invested in a new associate Extrem Energy A.S ('Extrem') (refer to note 6). The other share holder in this company is Merty Energy Petroleum Exploration, Education and Services Inc ('Merty'). At 30 June 2008 Xtract Energy had provided funds to Merty to enable exploration and evaluation work to be completed on licenses that are in the process of being legally transferred to Extrem. Once these licenses have been transferred, the above balance will be transferred to Investment in Associate. Only in the event that the licenses are not able to be transferred or Xtract is unable to farm in to those license where they are currently held, will Xtract have the right to have the above amount repaid in cash.

12. Subsequent events

On 19 January 2009 Xtract International Limited, a wholly owned subsidiary of Xtract Energy Plc sold 2,400,00 shares in MEO Australia Limited, receiving A$807,261 after brokerage costs. This sale transaction had the effect of reducing Xtract International Limited's ownership stake in MEO Australia Limited from 14.2% to 13.6%. On 27 January 2009, Xtract International Limited sold a further 697,155 shares in MEO Australia Limited, receiving A$208,791.15 after brokerage costs, and reduced Xtract International Limited's ownership stake to 13.4%.