

# **DVM INTERNATIONAL LIMITED**

ABN 80 072 964 179

**HALF-YEAR FINANCIAL REPORT  
30 JUNE 2009**

# CONTENTS

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|   | <b>Page</b> |
|---|-------------|
| CORPORATE INFORMATION   | 1           |
| DIRECTORS' REPORT   | 2           |
| STATEMENT OF COMPREHENSIVE INCOME                                     | 5           |
| STATEMENT OF FINANCIAL POSITION                                       | 6           |
| STATEMENT OF CHANGES IN EQUITY  | 7           |
| STATEMENT OF CASH FLOWS   | 8           |
| NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS                           | 9           |
| DIRECTORS' DECLARATION  | 14          |
| INDEPENDENT REVIEW REPORT TO THE MEMBERS OF DVM INTERNATIONAL LIMITED | 15          |

# CORPORATE INFORMATION

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## **DIRECTORS**

Mr C Rowe (Chairman)

Mr I Burgess

Mr H Dawson

Mr L Wale

## **COMPANY SECRETARY**

Mr M Higginson

## **REGISTERED OFFICE**

103 Abernethy Road

Belmont WA 6104

Telephone: +61(8) 9478 5399

Facsimile: +61(8) 9277 6818

## **PRINCIPAL PLACE OF BUSINESS**

103 Abernethy Road

Belmont WA 6104

## **POSTAL ADDRESS**

PO Box 566

Belmont WA 6984

## **AUDITORS**

Ernst & Young

11 Mounts Bay Road

Perth WA 6000

## **SHARE REGISTRY**

Security Transfer Registrars

770 Canning Highway

Applecross WA 6053

Telephone: +61(8) 9315 2333

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## **INTERNET ADDRESS**

[www.dvminternational.com](http://www.dvminternational.com)

## **ASX CODES**

Shares DVM

Options DVMO

## **COUNTRY OF INCORPORATION AND DOMICILE**

Australia

# DIRECTORS' REPORT

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Your directors submit their report for the half-year ended 30 June 2009.

## DIRECTORS

The names of the company's directors in office during the half-year and until the date of this report are as below. Directors were in office for this entire period unless otherwise stated.

Christopher Rowe (Chairman – Non-Executive)  
Ivan Burgess (Managing Director)  
Howard Dawson (Non-Executive)  
Leith Wale (Non-Executive)

## REVIEW AND RESULTS OF OPERATIONS

### Operating review

During the half-year, the Company actively sought new projects in order to broaden its exploration base. As part of this search process a range of exploration projects, where DVM is able to value add in a cost effective manner, have been reviewed. The Company continues to investigate projects within Europe, West Africa and the Americas, together with coal bed methane opportunities in Australia and the United States.

In July 2009, DVM made application for a significant overseas exploration project. Preliminary discussions have been held with government officials and DVM is hopeful of reaching agreement over a works programme.

Mindful of the current economic conditions, DVM is being prudent with expenditure and is seeking maximum leverage at minimal cost with all projects reviewed.

Following the unsuccessful drilling results of the Star Finch 1 and Lake McLeod 1 wells, DVM withdrew from all its operations in the Carnarvon Basin in February 2009.

In December 2008, the Company entered into an agreement to acquire 100% of the working interest in ATP-587-P located in the Eromanga Basin of onshore Queensland. DVM acquiring this permit primarily because it contains the Irriculla 1 well, which was drilled in 1997. The Irriculla 1 well is interpreted to have penetrated a reverse fault above a basal Jurassic sand which exhibited oil shows on the downthrown side. DVM believes there is a strong possibility of an oil accumulation in this sand on the up thrown side of the fault.

The Company has recently reprocessed 544 kilometres of seismic data and is currently investigating the cost alternatives of drilling a new hole (Irriculla 2) or re-entering Irriculla 1 and drilling a deviation from the existing well.

A second target to the south of Irriculla is the Cattle Creek structure, with Eromanga sediments draping a faulted basement domal anticline.

The Carella Creek 1 well intersected a good oil show in a Birkhead sand and a subsequent well (Carella Creek North 1) showed that the structure was tilted down to the north with respect to seismic isochrons. A mapped high to the south (Carella Creek South) is, therefore, up dip of the oil show in Carella Creek 1 and a matured drilling target.

With good well control on reservoir parameters, potential reserves for the above Eromanga targets range at the median level from 2 to 12 million barrels of oil in place, with an upside at Irriculla of 35 million barrels of oil.

In the southeast of the tenement is situated the large Braidwood Anticline. This is an undrilled prospect with 60 square kilometres of mapped closure within the Devonian. Approximately 60% of this structure is contained within ATP-587-P and has the potential for a gas accumulation exceeding 500 BCF.

The targets within ATP-587-P have been generated on the basis of various technical undertakings, including but not limited to, geological mapping, geophysical surveys and in certain cases drilling.

The potential quantity of these targets are, however, conceptual in nature and there is no guarantee that further exploration will result in commercial discoveries.

ATP-587-P represents a cost effective entry by DVM into an advanced onshore play where the geology is well understood and the various targets represent significant upside potential, should testing be successful.

Evaluation of the various prospects will be fast tracked as much as possible.

The loss for the period was \$484,544 (2008: loss of \$969,653).

# DIRECTORS' REPORT

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## AUDITOR'S INDEPENDENCE DECLARATION

The directors received the declaration on page 4 from the auditor of the Company.

This declaration forms part of the directors' report.

Signed in accordance with a resolution of the Board of Directors.

A handwritten signature in blue ink, appearing to read 'Ivan Burgess', with a long horizontal flourish underneath.

**Ivan Burgess**  
Director

Perth, 18 August 2009

## Auditor's Independence Declaration to the Directors of DVM International Limited

In relation to our review of the half year financial report of DVM International Limited ('DVM') for the half year period ended 30 June 2009, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

A handwritten signature in black ink, appearing to read 'Ernst & Young'.

Ernst & Young

A handwritten signature in black ink, appearing to read 'RJ Curtin'.

RJ Curtin  
Partner  
Perth

18 August 2009

# STATEMENT OF COMPREHENSIVE INCOME

FOR THE HALF-YEAR ENDED 30 JUNE 2009

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|  | <i>Note</i> | 2009<br>\$ | 2008<br>\$ |
|--|-------------|------------|------------|
| <b>Continuing operations</b>                             |             |            |            |
| Income   | 3(a)        | 39,112     | 100,240    |
| Exploration expenses                                     |             | (228,892)  | (541,461)  |
| Other expenses   | 3(b)        | (294,764)  | (528,432)  |
| <b>Loss from continuing operations before income tax</b> |             | (484,544)  | (969,653)  |
| Income tax expense                                       |             | -          | -          |
| <b>Loss from continuing operations after income tax</b>  |             | (484,544)  | (969,653)  |
| <br>   |             |            |            |
| Other comprehensive income for the half-year             |             | -          | -          |
| <b>Total comprehensive income for the half-year</b>      |             | (484,544)  | (969,653)  |
| <br>   |             |            |            |
| Earnings per share (cents per share)                     |             |            |            |
| Basic  |             | (1.36)     | (3.50)     |
| Diluted  |             | (1.36)     | (3.50)     |

The statement of comprehensive income should be read in conjunction with the accompanying notes.

# STATEMENT OF FINANCIAL POSITION

FOR THE HALF-YEAR ENDED 30 JUNE 2009

|  | Note | As at<br>30 June<br>2009<br>\$ | As at<br>31 December<br>2008<br>\$ |
|--|------|--------------------------------|------------------------------------|
| <b>ASSETS</b>  |      |                                |                                    |
| <b>Current Assets</b>                                      |      |                                |                                    |
| Cash and cash equivalents                                  | 8    | 2,093,039                      | 2,492,522                          |
| Trade and other receivables                                |      | 32,098                         | 52,198                             |
| <b>Total Current Assets</b>                                |      | <b>2,125,137</b>               | <b>2,544,720</b>                   |
| <b>Non-Current Assets</b>                                  |      |                                |                                    |
| Plant and equipment  |      | 8,833                          | 11,546                             |
| <b>Total Non-Current Assets</b>                            |      | <b>8,833</b>                   | <b>11,546</b>                      |
| <b>TOTAL ASSETS</b>  |      | <b>2,133,970</b>               | <b>2,556,266</b>                   |
| <b>LIABILITIES</b>   |      |                                |                                    |
| <b>Current Liabilities</b>                                 |      |                                |                                    |
| Trade and other payables                                   |      | 144,186                        | 81,938                             |
| <b>Total Current Liabilities</b>                           |      | <b>144,186</b>                 | <b>81,938</b>                      |
| <b>TOTAL LIABILITIES</b>                                   |      | <b>144,186</b>                 | <b>81,938</b>                      |
| <b>NET ASSETS</b>  |      | <b>1,989,784</b>               | <b>2,474,328</b>                   |
| <b>EQUITY</b>  |      |                                |                                    |
| <b>Equity attributable to equity holders of the parent</b> |      |                                |                                    |
| Contributed equity   | 4(a) | 32,698,390                     | 32,698,390                         |
| Option reserve   | 4(b) | 320,783                        | 320,783                            |
| Accumulated losses   |      | (31,029,389)                   | (30,544,845)                       |
| <b>TOTAL EQUITY</b>  |      | <b>1,989,784</b>               | <b>2,474,328</b>                   |

The statement of financial position should be read in conjunction with the accompanying notes.

# STATEMENT OF CHANGES IN EQUITY

FOR THE HALF-YEAR ENDED 30 JUNE 2009

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|  | <i>Issued<br/>capital</i><br>\$ | <i>Options<br/>reserves</i><br>\$ | <i>Accumulated<br/>Losses</i><br>\$ | <i>Total<br/>equity</i><br>\$ |
|--|---------------------------------|-----------------------------------|-------------------------------------|-------------------------------|
| <b>Balance at 1 January 2009</b>                         | <b>32,698,390</b>               | 320,783                           | (30,544,845)                        | 2,474,328                     |
| Total comprehensive income for the half year, net of tax | -                               | -                                 | (484,544)                           | (484,544)                     |
| Share based payments                                     | -                               | -                                 | -                                   | -                             |
| <b>At 30 June 2009</b>                                   | <b>32,698,390</b>               | <b>320,783</b>                    | <b>(31,029,389)</b>                 | <b>1,989,784</b>              |
| <b>Balance at 1 January 2008</b>                         | <b>31,834,488</b>               | <b>311,835</b>                    | <b>(28,572,053)</b>                 | <b>3,574,270</b>              |
| Total comprehensive income for the half year, net of tax | -                               | -                                 | (969,653)                           | (969,653)                     |
| Share based payments                                     | -                               | 8,949                             | -                                   | 8,949                         |
| <b>At 30 June 2008</b>                                   | <b>31,834,488</b>               | <b>320,784</b>                    | <b>(29,541,706)</b>                 | <b>2,613,566</b>              |

The statement of changes in equity should be read in conjunction with the accompanying notes.

# STATEMENT OF CASH FLOWS

FOR THE HALF-YEAR ENDED 30 JUNE 2009

|  | <i>Note</i> | 30 June<br>2009<br>\$ | 30 June<br>2008<br>\$ |
|--|-------------|-----------------------|-----------------------|
| <b>Cash flows from operating activities</b>          |             |                       |                       |
| Interest received                                    |             | 72,985                | 50,640                |
| Payments to suppliers and employees                  |             | (243,009)             | (512,255)             |
| Payments for exploration and evaluation              |             | (229,459)             | (541,461)             |
| <b>Net cash flows used in operating activities</b>   |             | <u>(399,483)</u>      | <u>(1,003,076)</u>    |
| <b>Cash flows from investing activities</b>          |             |                       |                       |
| Payments for plant and equipment                     |             | -                     | (772)                 |
| <b>Net cash flows used in investing activities</b>   |             | <u>-</u>              | <u>(772)</u>          |
| <b>Cash flows from financing activities</b>          |             |                       |                       |
| Share issue costs                                    |             | -                     | (61,375)              |
| <b>Net cash flows used in financing activities</b>   |             | <u>-</u>              | <u>(61,375)</u>       |
| Net increase/(decrease) in cash and cash equivalents |             | (399,483)             | (1,065,223)           |
| Cash and cash equivalents at beginning of period     |             | 2,492,522             | 3,579,284             |
| <b>Cash and cash equivalents at end of period</b>    | 8           | <u>2,093,039</u>      | <u>2,514,061</u>      |

The statement of cash flows should be read in conjunction with the accompanying notes.

# NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 30 JUNE 2009

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## 1. CORPORATE INFORMATION

The financial report of the Company for the half-year ended 30 June 2009 was authorised for issue in accordance with a resolution of the directors on 14 August 2009.

The Company is limited by shares, incorporated in Australia.

The principal activity during the half-year of the entity was the exploration and evaluation of oil and gas assets.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the entity as the full financial report.

The half-year financial report should be read in conjunction with the Annual Financial Report of the Company as at 31 December 2008.

It is also recommended that the half-year financial report be considered together with any public announcements made by the Company during the half-year ended 30 June 2009 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

### (a) Basis of preparation

The half-year financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, and AASB 134 "Interim Financial Reporting".

The half-year financial report has been prepared on a historical cost basis.

The financial report is presented in Australian dollars.

For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

### (b) Significant accounting policies

The half-year financial statements have been prepared using the same accounting policies as used in the annual financial statements for the year ended 31 December 2008.

### (c) Changes in accounting policy

The Company has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to the operations of the Company and effective for reporting periods on or after 1 January 2009. The adoption of these standards and interpretations did not have any effect on the financial position or performance of the Company except for the following:

- AASB 8
- AASB 101(R)

#### AASB 8

This Standard requires disclosure of information about the Company's operating segments and replaces the requirements to determine primary and secondary reporting segments of the Company. Adoption of this Standard did not impact the financial position or performance of the Company. The Company determined that the operating segments were the same as previously identified under AASB 114 – *Segment Reporting*. Additional disclosures are shown in Note 4.

#### AASB 101(R)

This revised Standard separates owner and non-owner changes in equity. The Statement of Changes in Equity includes only details of transactions with owners, with non-owner changes in equity presented as a single line. In addition, the Standard introduces the Statement of Comprehensive Income. It presents all items of recognized income and expenditure, either in one single statement or in two linked statements. The Group has elected to present one statement.

# NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS

## FOR THE HALF-YEAR ENDED 30 JUNE 2009

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The following amending standards have also been adopted from 1 January 2009:

- AASB 2007-3 *Amendments to Australian Accounting Standards arising from AASB 8.*
- AASB 2007-6 *Amendment to Australian Accounting Standards arising from AASB 123.*
- AASB 2007-8 *Amendment to Australian Accounting Standards arising from AASB 101.*
- AASB 2008-1 *Amendment to Australian Accounting Standards Share-based Payments: Vesting Conditions and Cancellations.*
- AASB 2008-2 *Amendment to Australian Accounting Standards - Puttable Financial Instruments and Obligations Arising on Liquidity.*
- AASB 2008-5 *Amendment to Australian Accounting Standards arising from the Annual Improvements Project.*
- AASB 2008-6 *Amendment to Australian Accounting Standards arising from the Annual Improvements Project.*
- AASB 2008-7 *Amendment to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate.*
- Interpretation 11 *IFRS 2-Group and Treasury Share Transactions.*
- Interpretation 12 *Service Concession Arrangements.*
- Interpretation 13 *Customer Loyalty Programmes.*
- Interpretation 14 *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction.*
- Interpretation 16 *Hedges of a Net Investment in a Foreign Operation*
- AASB 2009-2 *Amendments to Australian Accounting Standards – Improving Disclosures about Financial Instruments*

The Company has not elected to early adopt any new standards or amendments.

# NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 30 JUNE 2009

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|                                     | 30 June<br>2009<br>\$ | 30 June<br>2008<br>\$ |
|-------------------------------------|-----------------------|-----------------------|
| <b>3. INCOME AND EXPENSES</b>       |                       |                       |
| <b>(a) Income</b>                   |                       |                       |
| Finance income – Bank interest      | 39,112                | 100,240               |
|                                     | <hr/>                 | <hr/>                 |
|                                     | 39,112                | 100,240               |
| <b>(b) Other expenses</b>           |                       |                       |
| Auditors remuneration               | 15,600                | 10,000                |
| Employee benefits                   | 116,207               | 181,260               |
| Legal                               | 2,135                 | 110,271               |
| Professional Fees                   | 42,372                | 81,502                |
| Rent                                | 18,372                | 9,327                 |
| Travel expenses                     | 49,589                | 40,035                |
| General and administration expenses | 50,489                | 96,037                |
|                                     | <hr/>                 | <hr/>                 |
|                                     | 294,764               | 528,432               |
|                                     | <hr/>                 | <hr/>                 |

# NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 30 JUNE 2009

## 4. SEGMENT INFORMATION

For management purposes, the Company operates under one reportable operating segment based on the operations of the Company entirely being performed in the oil & gas exploration industry throughout the half-year.

No operating segments have been aggregated to form the above reportable operating segment.

Management monitors the operating results of the reporting operating segment for purposes of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss.

### Operating segment

The following tables present revenue and profit information regarding the Company's operating segments for the six months ended 30 June 2009 and 2008, respectively.

| <b>Six months ended<br/>30 June 2009</b> | <b>Oil &amp; gas<br/>Exploration</b> | <b>Total</b>     |
|--|--------------------------------------|------------------|
| Revenue                                  | -                                    | -                |
| <b>Total Revenue</b>                     | <b>-</b>                             | <b>-</b>         |
| <b>Results</b>                           |                                      |                  |
| <b>Segment loss before tax</b>           | <b>(484,544)</b>                     | <b>(484,544)</b> |

| <b>Six months ended<br/>30 June 2008</b> | <b>Oil &amp; gas<br/>Exploration</b> | <b>Total</b>     |
|--|--------------------------------------|------------------|
| Revenue                                  | -                                    | -                |
| <b>Total Revenue</b>                     | <b>-</b>                             | <b>-</b>         |
| <b>Results</b>                           |                                      |                  |
| <b>Segment loss before tax</b>           | <b>(969,653)</b>                     | <b>(969,653)</b> |

As the Company has only one operating segment, the loss for the segment includes all income and expense items of the Company for the half-year.

The following table presents segment assets of the Group's operating segments as at 30 June 2009 and 31 December 2008:

|                       | <b>Oil &amp; gas<br/>Exploration</b> | <b>Total</b>     |
|-----------------------|--------------------------------------|------------------|
| <b>Segment assets</b> |                                      |                  |
| <b>30 June 2009</b>   | <b>2,133,970</b>                     | <b>2,133,970</b> |
| 31 December 2008      | 2,556,266                            | 2,556,266        |

As the Company has only one operating segment, the assets of the segment include all of the Company's assets as at balance date.

## 5. DIVIDENDS PAID AND PROPOSED

No dividends were paid or proposed during the period ended 30 June 2009.

## 6. CONTINGENT ASSETS AND LIABILITIES

There has been no material change in contingent assets or liabilities since the last annual reporting date.

# NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 30 JUNE 2009

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|  | 30 June<br>2009<br>\$ | 31 December<br>2008<br>\$ |
|--|-----------------------|---------------------------|
| <b>7. ADDITIONAL INFORMATION</b>   |                       |                           |
| <b>Reconciliation of Cash</b>  |                       |                           |
| For the purposes of the Statement of Cash Flows, cash and cash equivalents comprise the following: |                       |                           |
| Cash at bank and in hand   | 2,093,039             | 2,492,522                 |
|  | <hr/>                 | <hr/>                     |
|  | 2,093,039             | 2,492,522                 |

## 8. EVENTS AFTER THE BALANCE SHEET DATE

No material events have occurred since the end of the period under review and the date of this report.

## 9. CHANGES IN COMPOSITION OF ENTITY

There were no changes in the composition of the entity during the period.

# DIRECTORS' DECLARATION

FOR THE HALF-YEAR ENDED 30 JUNE 2009

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In accordance with a resolution of the directors of DVM International Limited, I state that:

In the opinion of the directors:

- (a) The financial statements and notes of the entity are in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the financial position as at 30 June 2009 and the performance for the half-year ended on that date of the entity; and
  - (ii) complying with Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001; and
- (b) There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the Board



**Ivan Burgess**  
Director

Perth, 18 August 2009

