



**PACRIM ENERGY LTD**

PO Box 63 Wendouree  
Victoria 3355 Australia  
523 Ligar Street, Ballarat  
Victoria 3350 Australia

Telephone: +61 3 5333 3200  
Facsimile: +61 3 5333 3650  
[www.pacrimenergy.com.au](http://www.pacrimenergy.com.au)  
ABN 63 010 856 014

**PACRIM ENERGY LIMITED  
AND CONTROLLED ENTITIES**

**ABN 63-010-856-014**

**ANNUAL REPORT  
FOR THE YEAR ENDED  
31 DECEMBER 2008**

**GROWTH THROUGH DISCOVERY**





## PACRIM ENERGY LTD

### CORPORATE DIRECTORY

#### **Directors**

- Chairman - Sir Barry Blyth Holloway *KBE, CBE*
- Managing Director - Rodney David Foster *BSc, M AusIMM*
- Non-Executive Directors - Mark William Maine *M Com. B Bus (Acc) PG Dip(Com)*  
John Fraser Ainsworth

#### **Auditors, Registered Office and Papua New Guinea Share Registry**

Sinton Spence Chartered Accountants  
Level 2, Brian Bell Plaza  
Turumu Street  
Boroko NCD 111  
(PO Box 6861, Boroko)

Tel: (675) 325-7611  
Fax: (675) 325-9389

#### **Australian Share Registry**

Link Market Services Limited  
Level 12, 300 Queen Street  
Brisbane QLD 4000

Tel: (02) 8280-7454  
Fax: (07) 3228-4999

#### **Company Information**

Papua New Guinea Company Number 1-13756  
Australian Business Number 63 010 856 014  
ASX code, Home Branch PRE, Brisbane

#### **Accountants, Registered Agent & Office in Australia**

Shane Turner & Associates  
19A Albert Street  
Ballarat Vic 3350

Tel: (03) 5332 8526  
Fax: (03) 5332 8831

#### **Exploration Office**

523 Ligar Street  
Ballarat Vic 3350  
(PO Box 63, Wendouree Vic 3355)

Tel: (03) 5333-3200  
Fax: (03) 5333-3650

#### **Solicitors**

Blake Dawson Waldron, Port Moresby  
Price Sierakowski, Perth

#### **Bankers**

A.N.Z. Bank - Champion Parade, Port Moresby  
National Australia Bank - Sturt Street, Ballarat





**PACRIM ENERGY LTD**

## **CHAIRMAN & MANAGING DIRECTOR'S REVIEW**

The share market performance of Pacrim through 2008 was largely disappointing. The share price experienced highs in January 2008, but despite a stream of favourable exploration news from the Company, it went on to be savaged by waves of selling as the market collapsed. It was suspected that some groups of supportive shareholders were caught up in leveraged positions and thus, Pacrim's share price suffered.

Exploration activity was maintained throughout the year with effort firmly focused on the Redcliffe Gold Project. Reverse circulation drilling continued up until Christmas 2007, diamond drilling began in January 2008 and air-core and RAB drilling programs were undertaken at the "Hub" and "727" Prospects.

The Company signed an agreement in February 2008 that divested Pacrim of non-core, non US Energy assets. Payment of \$1.5 million was negotiated, with the final payment being received in December 2008. These funds, along with funds procured by reducing Pacrim's interest in the Northern Sacramento Gas Project in California, have allowed the Company to maintain very active exploration programmes. Advancement of gold resource definition has been achieved without placing additional shares since February 2007.

The Board and management of Pacrim are proud of results achieved to date. A dedicated group of energetic contract personnel have been able to advance projects with due regard to economy and value for money spent.

Initial resource estimations were reported by external consultants consisting of an Inferred and Indicated Mineral Resource totaling **2,063,000 tonnes @ 2.3g/t gold for 151,000 ounces**. This included **416,000 tonnes @ 3.3g/t for 44,000 ounces** at Golden Terrace South and **559,000 tonnes @ 2.9g/t for 52,000 ounces** at the Nambi Prospect.

Pacrim has numerous attractive and enticing prospects that promise to add to these resources. Exciting results have begun to flow from extensions to Golden Terrace South and from the 727 prospect.

During the year Pacrim announced the discovery of nickel mineralization associated with ultramafic rocks with a possible strike length of 20km. This find was an unexpected bonus that could offer our company considerable upside.

In addition to the 100% owned and operated Redcliffe Gold Project, the company retains a significant interest in resource projects through non operating interests including:

- Grants Creek and Angelo projects in the East Kimberley with Metminco Ltd,
- Fosterville Regional Gold Project in Victoria, managed by Goldfields Australia Pty Ltd,
- Manus Island Gold Copper Project in PNG operated by Triple Plate Junction PLC, and
- 12.5% free carried exploration in Northern Sacramento, Gas Project, USA

The focus of Pacrim, however, is now firmly on the Redcliffe Project. The Board is confident that the discoveries made have serious worth and look forward to an expansive future where the unlocking of shareholder value will be an ongoing priority.

Sir Barry Blyth HOLLOWAY  
*Chairman*

Rodney David FOSTER  
*Managing Director*



## PACRIM ENERGY LTD

# OPERATIONS REPORT

Pacrim Energy Ltd operations for 2008 were entirely focussed on advancing the Redcliffe Project, near Leonora in Western Australia, as the Company worked to delineate an initial gold resource, and to then expand that resource.

Field activities for the year consisted of;

- Drilling RC pre-collars for diamond drilling,
- Diamond core drilling,
- RAB and air-core drilling,
- Several RC drilling programmes
- Ground Magnetic surveys,
- Geological mapping, and
- Geochemical soil sampling,

This work principally consisted of data generation to enable the Company's technical consultant to complete an initial resources estimate that was announced mid-year.

An initial resource of 151,000 ounces of gold has been estimated which includes;

- **416,000 tonnes @ 3.3g/t for 44,000 ounces** at Golden Terrace South, and
- **559,000 tonnes @ 2.9g/t for 52,000 ounces** at the Nambi Prospect.

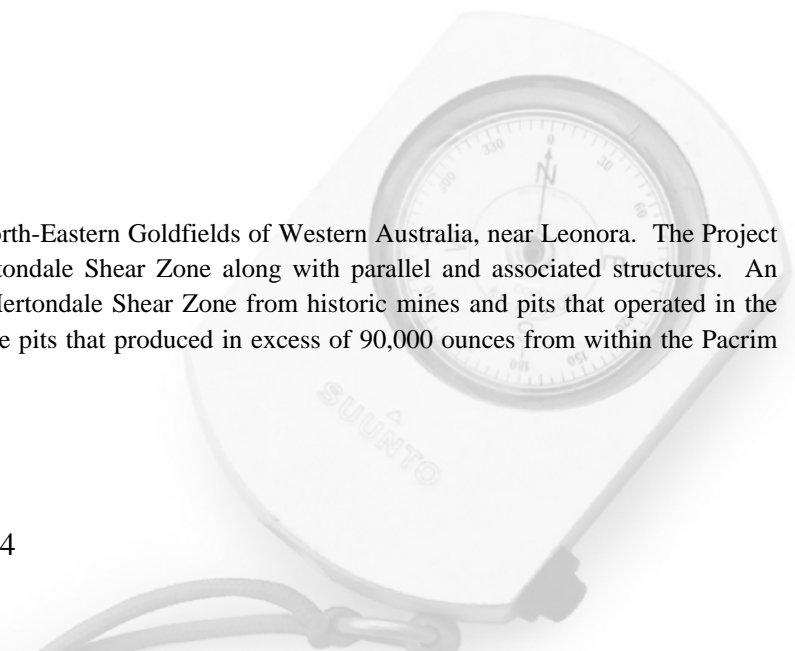
Reorganising the Company's portfolio of assets also continued, with the non-US oil and gas portfolio being divested and the proceeds applied toward gold exploration.

Pacrim retains interests in externally managed projects including;

- Northern Sacramento Gas project in California, USA,
- East Kimberley gold properties,
- Manus Island epithermal gold project, PNG, and the
- Fosterville Regional Project where Gold Fields Australasia completed their \$2.5 million expenditure to earn a 75% interest.

### Redcliffe Gold Project

Pacrim's 100% owned Redcliffe Gold Project is located in the North-Eastern Goldfields of Western Australia, near Leonora. The Project covers approximately 65 kilometres of strike length of the Mertondale Shear Zone along with parallel and associated structures. An estimated 400,000 ounces of gold has been produced from the Mertondale Shear Zone from historic mines and pits that operated in the 1980s and 1990s. These include the shallow Nambi and Redcliffe pits that produced in excess of 90,000 ounces from within the Pacrim project area.





## PACRIM ENERGY LTD

# OPERATIONS REPORT

Building on a very active exploration phase in 2008 Pacrim Energy Limited has recommenced field exploration since years-end.

Pacrim's focus continues to seek further gold discoveries and to add to gold resources at the Redcliffe Gold Project. This will include the upgrading of the Golden Terrace South gold resource, further RC drilling, and advancement of planning for development of the most readily accessible and potentially economic gold mineralisation.

## Resource Estimation

An initial resource of **151,000 ounces** of gold has been estimated which includes;

- **416,000 tonnes @ 3.3g/t for 44,000 ounces** (Golden Terrace South Prospect)
- **559,000 tonnes @ 2.9g/t for 52,000 ounces** (Nambi Prospect)

The first phase of exploration was aimed at establishing a gold resource inventory at the Redcliffe Gold Project near Leonora, Western Australia. This work led to the estimation of an Inferred and Indicated Mineral Resource by external consultants, totaling **2,063,000 tonnes @ 2.3g/t gold for 151,000 ounces**. The initial resource gives the Company a solid foundation of valuable gold resources upon which to build.

The Company's Board of Directors is of the view that significant upside exists in the seven resource areas, the majority of which remain open along strike and at depth, together with the many targets that have been generated by recent work.

In compilation of the consultants report, rigorous validation and verification of Pacrim Energy's data and processes was undertaken for the work carried out by Pacrim.

The resource was estimated on seven deposits (Golden Terrace North and South, Nambi, Redcliffe, West Lode, Mesa and Golden Spear) and has been classified as Indicated and Inferred Mineral Resources in accordance with guidelines as set out in the JORC Code (2004).

The combined Indicated and Inferred Mineral Resource was **2.1 million tonnes at 2.3g/t gold for 151,000 contained ounces** of gold.

### Resource Calculation Breakdown

Prospect	Indicated			Inferred			Total		
	Tonnes	g/t Gold	Oz Gold	Tonnes	g/t Gold	Oz Gold	Tonnes	g/t Gold	Oz Gold
GT South	113,000	3.7	14,000	302,000	3.2	31,000	416,000	3.3	44,000
Nambi	262,000	3.3	28,000	298,000	2.5	24,000	559,000	2.9	52,000
Redcliffe	-	-	-	560,000	1.7	31,000	560,000	1.7	31,000
West Lode	-	-	-	373,000	1.2	15,000	373,000	1.2	15,000
Mesa	-	-	-	95,000	1.5	5,000	95,000	1.5	5,000
GT North	11,000	2.0	1,000	24,000	1.9	1,000	34,000	1.9	2,000
G. Spear	-	-	-	26,000	1.6	1,000	26,000	1.6	1,000
<b>Total</b>	<b>385,000</b>	<b>3.42</b>	<b>42,000</b>	<b>1,670,000</b>	<b>2.0</b>	<b>108,000</b>	<b>2,063,000</b>	<b>2.3</b>	<b>151,000</b>

## Golden Terrace South

The resources at Redcliffe are headed by the Golden Terrace South deposit which is based on drilling conducted by Pacrim since discovery in 2006, in an area where no past mining has been undertaken.



## PACRIM ENERGY LTD

# OPERATIONS REPORT

RC drilling has returned intercepts of **24 metres @ 12g/t and 9 metres @ 15g/t** in the weathered zone. Deeper RC drilling has returned intercepts including **23 metres @ 4.23g/t and 25 metres @ 3.97g/t** gold in the primary zone suggesting the existence of considerable depth potential.

The estimate for Golden Terrace South reported **416,000 tonnes @ 3.3g/t gold**, with 44,000 contained ounces (Indicated & Inferred). Drilling subsequent to the data used on the estimate has demonstrated that the mineralised zone continues significantly at depth and to the south and remains open in those directions. The upper zones of the Golden Terrace South deposit are near surface, highly weathered, supergene in nature, lending them to exploitation by open pit mining methods.

### Nambi

The Nambi deposit is a robust silica/sulphide lode system that displays excellent continuity. The deposit is a series of north-south striking sub-vertical lodes that extend to a depth of 200 metres, open to the south and at depth. The estimate for the Nambi deposit reported **559,000 tonnes @ 2.9g/t gold**, with 52,000 contained ounces (Indicated & Inferred).

### Potential to Increase Resources

The consultants approach was to calculate mineralisation from 10 metres below the estimated pit extents at Nambi, Redcliffe and Mesa, and 20 metres from the top of West Lode. Confirmation of the pit extents through further surveying may permit these resources to be increased in future estimates.

Numerous similarly styled gold prospects occur along the shear offering considerable additional scope. The technical group is confident the Redcliffe Gold Project will continue to grow considerably and look forward to drilling numerous other targets already identified to build the gold resource inventory.

Pacrim is continuing to carry out exploration to advance prospects and is confident the next phases of exploration will enhance the Company's gold resource position.

### RC drilling at Golden Terrace South and Barry Prospects

Subsequent to the data utilized for resource estimation, Pacrim Energy has completed additional RC drilling at the Golden Terrace South and Barry Prospects.

The drilling at Golden Terrace South was successful in extending the mineralised zone to the south to approximately 150 metres beyond the previously known mineralised zone (GTRC89-97). Results included **6 metres @ 3.15g/t, 7 metres @ 2.74g/t, 3 metres @ 4.60g/t, 3 metres @ 9.48g/t, and 4 metres @ 5.09g/t gold**. Deeper drilling under the resource model also provided further encouragement with intercepts including **11 metres @ 3.13g/t and 10 metres @ 2.00g/t gold**. A full table of results greater than 3 gramme x metres is tabulated below.

Golden Terrace South - RC drilling results - June Quarter 2008

Hole ID	East	North	Az/Dip	From	To	Intercept – g/t gold
GTRC090	357560	6838100	270/-60	56	59	3m @ 5.87
GTRC090				58	59	inc 1m @ 14.95
GTRC090				73	77	4m @ 2.82
GTRC090				79	87	8m @ 2.05



## PACRIM ENERGY LTD

### OPERATIONS REPORT

Hole ID	East	North	Az/Dip	From	To	Intercept – g/t gold
GTRC092	357560	6838140	270/-60	66	69	3m @ 2.36
GTRC094	357550	6838160	270/-60	47	53	6m @ 3.15
GTRC094				61	63	2m @ 5.63
GTRC094				72	73	1m @ 5.30
GTRC095	357540	6838180	270/-60	34	35	1m @ 7.17
GTRC096	357560	6838180	270/-60	86	93	7m @ 2.74
GTRC096				97	100	3m @ 4.60 (EOH)
GTRC097	357550	6838200	270/-60	46	48	2m @ 2.19
GTRC097				54	57	3m @ 9.48
GTRC097				56	57	inc 1m @ 22.10
GTRC099	357520	6838220	270/-60	53	54	1m @ 5.16
GTRC100	357490	6838300	270/-60	51	52	1m @ 8.18
GTRC100				59	60	1m @ 3.28
GTRC101	357500	6838320	270/-60	69	72	3m @ 1.88
GTRC102	357500	6838340	270/-60	63	66	3m @ 1.53
GTRC125	357540	6838340	270/-60	85	90	5m @ 4.29
GTRC125				109	117	8m @ 3.15
GTRC126	357560	6838340	270/-60	88	90	2m @ 2.27
GTRC126				97	100	3m @ 1.23
GTRC126				102	112	11m @ 3.13
GTRC128	357540	6838460	270/-60	85	91	6m @ 2.34
GTRC130	357560	6838420	270/-60	88	92	4m @ 1.68
GTRC130				134	142	8m @ 3.12
GTRC131	357560	6838360	270/-60	92	94	2m @ 2.60
GTRC131				99	109	10m @ 2.00
GTRC131				128	132	4m @ 2.44
GTRC131				142	145	3m @ 1.44
GTRC131				151	154	3m @ 1.19
GTRC131				164	166	2m @ 1.65
GTRC132	357550	6838320	270/-60	96	99	3m @ 2.53
GTRC132				104	111	7m @ 2.15
GTRC133	357550	6838240	270/-60	67	70	3m @ 3.56
GTRC133				72	74	2m @ 8.04
GTRC133				77	82	5m @ 3.31
GTRC133				98	102	4m @ 5.09

GDA 94 coordinates Zone 51 from GPS. Gold values were determined by KalAssay Laboratories using conventional fire assay technique. Intervals were calculated using a 1g/t lower cut off, no upper cut, and a maximum of 1m internal waste.



## PACRIM ENERGY LTD

# OPERATIONS REPORT

In addition to this work, further infill RC drilling has been carried out with better intercepts including **19 metres @ 5.57g/t, 8 metres @ 3.54g/t, 6 metres @ 4.57g/t and 3 metres @ 12.67g/t gold.**

A re-interpretation of the initial resource estimate shell outlines has been initiated and preliminary metallurgical test work has shown excellent leaching characteristics with gold recoveries ranging from 90 to 100% from composite samples above the transition zone. Detailed geological mapping and extensions to the ground magnetic survey initiated early in 2008 were completed in December 2008.

RC drilling at the Barry Prospect followed up historic anomalous drill intercepts of **4 metres @ 3.47g/t, 2 metres @ 1.49g/t and 6 metres @ 3.03g/t gold.** Anomalous gold intercepts were returned from two interpreted sub-vertical parallel zones of mineralisation, striking north-south over 160 metres. One of the zones is proximal to a graphitic shale unit, with the best intercept of **3 metres @ 3.90g/t gold.** The geology of the Barry Prospect is similar to Pacrim's Golden Terrace North and Golden Terrace South prospects and clearly warrants the drilling of further holes.

### RC drilling results – Barry Prospect – June Quarter 2008

Hole ID	East	North	Az/Dip	From	To	Intercept – g/t gold
GTRC090	357560	6838100	270/-60	56	59	3m @ 5.87
GTRC107	357420	6841280	270/-60	51	52	1m @ 3.43
GTRC109	357460	6841280	270/-60	53	54	1m @ 8.67
GTRC115	357460	6841360	270/-60	80	81	1m @ 4.71
GTRC115				100	101	1m @ 3.32
GTRC118	357460	6841400	270/-60	97	100	3m @ 3.90
GTRC118				97	98	inc 1m @ 9.18
GTRC120	357440	6841440	270/-60	28	29	1m @ 5.03
GTRC120				46	49	3m @ 2.07

GDA 94 coordinates Zone 51 from GPS. Gold values were determined by KalAssay Laboratories using conventional fire assay technique. Intervals were calculated using a 1g/t lower cut off, no upper cut, and a maximum of 1m internal waste.

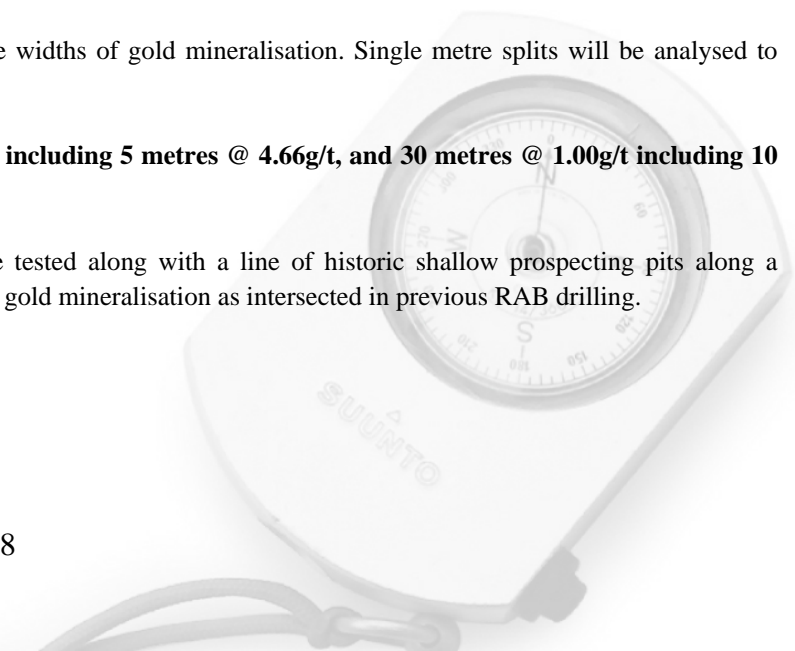
### 727 Prospect

Subsequent to years end, an initial RC drilling programme at the 727 Prospect was designed to follow up a RAB intercept of **10 metres @ 4.92g/t gold.** Composite samples from the drilling gave intercepts including **20 metres @ 3.08g/t gold.**

The drilling has confirmed the presence of impressive down hole widths of gold mineralisation. Single metre splits will be analysed to outline the mineralisation more accurately.

Further results from adjacent holes include, **20 metres @ 1.45g/t, including 5 metres @ 4.66g/t, and 30 metres @ 1.00g/t including 10 metres @ 2.78g/t gold.**

Considerable areas of geochemical soil anomalism remain to be tested along with a line of historic shallow prospecting pits along a mineralised pyritic quartz structure, and following up of additional gold mineralisation as intersected in previous RAB drilling.





## PACRIM ENERGY LTD

# OPERATIONS REPORT

RC drilling to date has indicated the presence of substantial intervals of gold mineralisation in an area of gold in soil anomalism lying to the east of the main Mertondale Shear Zone. Much additional drilling is warranted to thoroughly test the 727 trend and to determine orientation, geometry and strike continuity of gold mineralisation as intersected.

### Nambi Nickel Prospect

Pacrim's exploration has identified a 20 kilometre strike length of an ultramafic rock sequence prospective for nickel lying within the Redcliffe tenements, to the east of, and approximately paralleling, the Mertondale Shear Zone. Pacrim's initial RC drilling in late 2008 revealed a broad zone of nickel mineralisation, returning an impressive down-hole intercept of **98 metres @ 0.4%Ni, including 7 metres @ 1.05% nickel**.

Subsequent petrographic analysis of drill chips has confirmed the presence of sulphide mineralisation including chalcopyrite and millerite, a nickel-cobalt sulphide.

Field investigation including reconnaissance mapping, collection of further samples for geochemical analysis and selected petrology has been instigated to build detailed geological knowledge of the considerable strike length. Targets generated from this work will be prioritised and future proposed exploration programmes will be designed to include magnetic and electromagnetic geophysical surveying to seek disseminated and massive sulphide deposits.

### Angelo Gold Project (East Kimberley WA farm-out to 30%)

The Angelo Project (E80/2707) is located approximately 40km south-west of Halls Creek just 5km south east of the Great Northern Highway.

In June/July 2008 Metminco Ltd, as operator, undertook a reverse circulation drilling program of 25 holes at the Leonardo prospect in July 2008, which highlighted a number of zones of sulphidic quartz. This drilling returned assays up to **8.03g/t gold** and indicated greater structural complexity to controls on mineralisation than indicated by previous surface exploration. Intercepts including **3 metres @ 1.97g/t gold** and **2 metres @ 4.31g/t gold**, as well as an adjacent stockwork zone (**17 metres @ 0.24g/t gold**), build upon earlier RAB drilling and proves the presence of a gold mineralised system. Initial interpretation suggests that nuggetty gold is present in south easterly dipping quartz veins within a stockwork system.

#### Leonardo Prospect - Selected Drill Intercepts

Hole ID	East	North	Az/Dip	From (m)	To (m)	Intercept and g/t gold
ARC-001	333365	7951825	317/-60	1	3	2m @ 1.80
ARC-002	333380	7951810	315/-60	30	32	2m @ 1.18
ARC-002	333380	7951810	315/-60	70	73	3m @ 1.52
ARC-007	333406	7951858	312/-60	80	83	3m @ 1.97
ARC-008	333427	7951894	312/-60	5	6	1m @ 1.12
ARC-012	333598	7952121	314/-60	65	66	1m @ 1.82
ARC-017	333538	7952090	314/-60	23	40	17m @ 0.24
ARC-020	333436	7952014	312/-60	2	3	1m @ 1.58
ARC-025	333409	7951913	314/-60	48	49	1m @ 2.08
ARC-025	333409	7951913	314/-60	77	79	2m @ 4.31

Note – Coordinates in GDA Zone 52. Gold values determined by On Site Laboratories by Fire Assay



## OPERATIONS REPORT

### Further Target Potential

The Angelo soil anomalism occurs over large areas (up to 6 kilometres by 1 kilometre) and further geochemical interpretations, additional sampling, and mapping of alteration assemblages are to be used to target future drilling.

### Grants Creek Gold Project (East Kimberley WA farm-out to 30%)

The Grants Creek Prospect covers much of one of the earliest gazetted goldfields in Western Australia, 60 kilometres north of Halls Creek. Previous exploration has generally focused on historic workings with only limited examination on the strike extensions and of repetitions within similar lithological horizons.

Rock chip and soil sampling programmes, detailed geological mapping, and geophysical interpretation have been utilized to delineated targets for drill testing.

Metminco have previously reported rock chip results from the area that included; **271.7g/t, 104.7g/t & 56.7g/t gold.**

RC drill testing of some of the prospects, mainly Perseverance, was carried out in the second half of 2008 which included intercepts from assaying of 5 metre composite samples of; **25 metres @ 1.75g/t, 20 metres @ 2.38g/t, 16 metres @ 3.23g/t, 10 metres @ 4.12g/t, 5 metres @ 6.33g/t, and 5 metres @ 5.73g/t gold.**

Subsequent single metre assay results from recent drilling on the Perseverance Prospect have returned intercepts including **15 metres @ 4.2g/t, 5 metres @ 5.87g/t, 6 metres @ 6.13g/t and 3 metres @ 7.88g/t gold** with peak individual assays of **17.8g/t, 20.7g/t, 12.8g/t and 15.25g/t gold.** The drilling indicates the presence of a central higher grade mineralised structure with peripheral stringer zones. The existence of multiple zones enhances the project by increasing the overall width of mineralisation width.

Many high grade gold assays were returned from zones where composite samples had previously indicated the presence of gold mineralisation. The best intercepts of **15 metres @ 4.2g/t, 5 metres @ 5.87g/t, 6 metres @ 6.13g/t and 3 metres @ 7.88g/t gold,** included peak one metre split assays of **17.8g/t, 20.7g/t, 12.8g/t and 15.25g/t gold** respectively.

### Grants Creek - Perseverance Single Metre Assay Drilling results >1.0 g/t Gold

Hole_ID	East	North	Az/Dip	From	To	Intercept - g/t gold
GRC-001	385001	8028095	328/-75	6	9	3m @ 5.96
GRC-001				7	8	incl. 1 m @ 15.40
GRC-001				23	28	5m @ 1.61
GRC-002	385004	8028079	328/-60	30	34	4m @ 5.61
GRC-003	384982	8028076	328/-60	33	41	8m @ 2.14
GRC-004	384988	8028066	328/-60	39	42	3m @ 1.86
GRC-004				51	66	15m @ 4.20
GRC-004				58	59	incl. 1 m @ 17.80
GRC-006	384952	8028076	328/-60	19	23	4m @ 2.83
GRC-007	384956	8028067	328/-60	31	36	5m @ 5.87
GRC-007				31	32	incl. 1 m @ 20.7
GRC-008	384963	8028055	328/-60	57	63	6m @ 2.08
GRC-009	384924	8028071	331/-60	13	19	6m @ 6.13
GRC-009				16	17	incl. 1 m @ 12.8



## PACRIM ENERGY LTD

### OPERATIONS REPORT

GRC-010	384929	8028059	328/-60	26	29	3m @ 7.88
GRC-010				27	28	incl. 1 m @ 15.25
GRC-011	384933	8028046	354/-60	44	46	2m @ 0.79
GRC-012	384900	8028064	328/-60	11	15	4m @ 2.41
GRC-014	384965	8028103	148/-60	8	29	21m @ 2.74

#### Zone 52 GDA 94. 1m samples fire assayed by On-site Laboratories

Only a portion of the Perseverance prospect has been drilled to date and it remains open at depth and along strike. The prospect lies at the western end of a three kilometre trend of anomalous geochemistry. Stronger mineralised zones are interpreted to occur where cross faults intersect this horizon.

The Perseverance prospect is the first location to be drilled at Grants Creek in recent years. These initial promising results along with previous geochemical data demonstrate the project has potential. A number of other prospects have been identified for drilling and if results of a similar tenor are achieved, it would give encouragement that substantial gold mineralisation can be delineated. Further drilling on the Perseverance and Moody's prospects is planned for 2009.

#### Fosterville Regional Joint Venture (Victoria, Gold Fields Australasia Pty Ltd 75% Pacrim 25% diluting)

Operators, Gold Fields Australasia Pty Ltd, prepared an Information Memorandum registering the discovery of a new gold camp within the Central Victorian Project which includes the Fosterville Regional JV licences. Limited field work has been undertaken during the year. An application to have ELs amalgamated into a single licence was submitted to the Department of Primary Industries to simplify the renewals and statutory reductions process that was carried out late in 2008.

Gold Fields have previously reported that mineralised zones are interpreted to be associated with localised shallow east dipping faults, which in turn appear to be related to steep west dipping reverse faults in a steeply west dipping turbidite package. Further targeted diamond drilling is required to understand the structural architecture and possible mineralised shoot controls.

#### Manus Copper Gold Project (Manus Island, PNG – Pacrim 20% diluting) (Operated by Triple Plate Junction plc)

Diamond drillhole KIS-001 at the Kisi prospect was completed in early 2008. Drillhole KIS-001 intersected **1.57 metres at 8.08g/t gold** from 72.33 metres, including **0.55 metres @ 15.55g/t gold**. The hole was designed to verify a previous drillhole result of Highlands Gold that intersected **5.6 metres @ 2.49g/t gold** and was then terminated prematurely at 15.6 metres due to drilling difficulties.

Sample No	From	To	Intercept - g/t gold
58046	72.33	72.88	0.55 m @ 15.55
58047	72.88	73.38	0.50 m @ 0.705
58048	73.38	73.9	0.52 m @ 7.25

The rig proceeded to drill hole KIS-002 and encountered epithermal mineralisation at 36.4 metres. Fieldwork also continued on structurally controlled copper veins located in the northern part of the Kren porphyry copper prospect.



**PACRIM ENERGY LTD**

## **OPERATIONS REPORT**

### **Northern Sacramento Basin Gas Project** (California, USA – Pacrim 12.5% via Pacrim US Energy Corp.)

Pacrim Energy retains a 12.5% free carried interest through exploration in the plus 60,000 acre Northern Sacramento Basin project in California with the Nahabedian Exploration Group (NEG) and others.

The operator, NEG, previously advised the Company that the Worthington 2-8 well reached a total depth of 13,506 ft. Electric logs identified multiple target zones that warranted testing. Casing was then set to 13,474 ft.

Pacrim was advised in April 2008, that a test rig was in place and testing of the objective sandstone target at approximately 13,000 feet commenced. This was followed sequentially by the testing of several additional zones of interest in the objective sandstones which proved to be tight sandstones. The presence of gas was detected in the hole with accompanying pressure build up.

It was planned to re-enter the hole to shoot further perforations and seek to stimulate the ingress of gas to enhance the flow. These efforts were inhibited by technical difficulties and implements became stuck in the hole and though freed, the well could not be reentered beyond the casing and is now only suitable as a possible sidetrack to re-drill the zone of potential. A decision was made to plug the hole and suspend operations as of late July 2008.

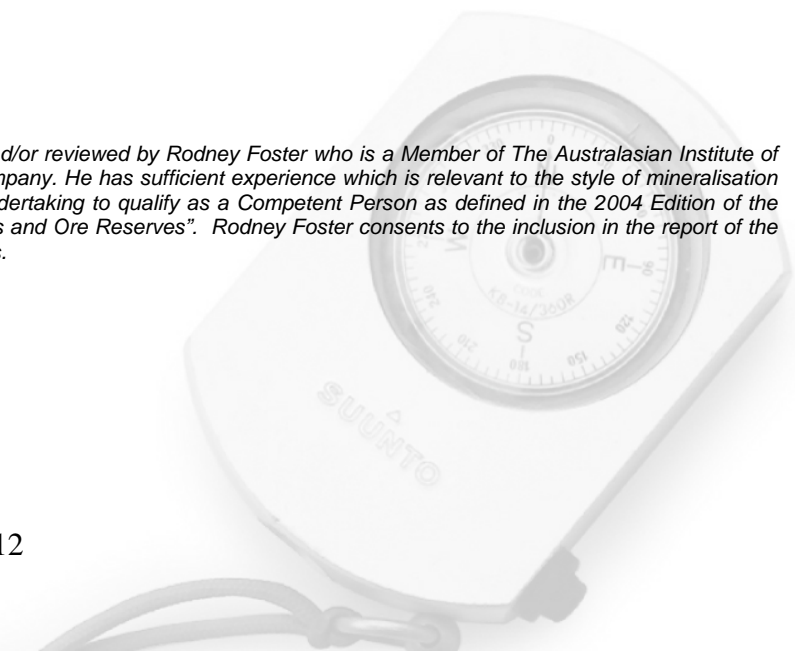
Considerable expense and effort has been directed at the Worthington 2-8 Well and although Pacrim has a minority carried interest, the Company is encouraged by the detection of gas and confirmation of the presence of sandstone as a favourable reservoir rock.

Although the Operators were not able to establish a commercial flow of hydrocarbons, these findings are believed to confirm the potential of the Behemoth prospect as a prospective regional gas play over which a large lease holding has been secured.

Pacrim and NEG are considering development strategies that include minimising expenses and holding key leases until a partner and additional funding can be secured

**Rodney Foster**  
Managing Director

*The information in this announcement is based on information compiled and/or reviewed by Rodney Foster who is a Member of The Australasian Institute of Mining and Metallurgy. Rodney Foster is the Managing Director of the Company. He has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Rodney Foster consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.*





## PACRIM ENERGY LTD

# DIRECTORS' QUALIFICATIONS, EXPERIENCE AND RESPONSIBILITIES

### **Sir Barry Blythe Holloway** KBE CBE - CHAIRMAN

Sir Barry is a former District Officer in Papua New Guinea. Elected to the first Papua New Guinea Parliament in 1963, he was a founding member of the LNA and a member of various parliamentary committees including the Public Accounts Committee. He was Speaker of Parliament 1972-77, Finance Minister 1977-80, Minister of Education & National Planning 1982-85 and Chairman of the Constituent Assembly responsible for formulating the Constitution of the Independent State of Papua New Guinea during 1974-75. Sir Barry is now a private consultant and acts as an independent Chairman not associated with the major shareholders.

### **Rodney David Foster** BSc - MANAGING DIRECTOR

Mr. Foster was appointed Managing Director of Pacrim in December 2003. Mr. Foster is a geologist with over 20 years experience in the gold exploration and mining industry in Western Australia and Victoria. His experience includes working for Pancontinental Mining at Paddington, Samantha Exploration, CSR's Gold Resources Pty Ltd and North Kalgurli Mines on the Golden Mile, Money Mining NL and was founding Managing Director of Goldminco NL, a Victorian exploration company. Mr. Foster is also a non-executive director of Peak Resources Limited, an ASX listed mining company.

### **Mark William Maine** M Com. B Bus (Acc) PG Dip(Com) – NON-EXECUTIVE DIRECTOR

Mr. Maine is Managing Director of Peak Resources Limited, an ASX listed mining company and also manages his consultancy business, specialising in corporate strategy and corporate administration. He has previously been the managing director of the corporate arm of an Australian stockbroking house and a director in the corporate advisory arm of a big four chartered accounting firm. He has been a director and a company secretary for a number of Australian listed companies and has worked internationally for a number of years, predominately in the United Kingdom.

### **John Fraser Ainsworth** - NON-EXECUTIVE DIRECTOR

Mr. Ainsworth is a successful Victorian businessman. He joined the Australian Army as a national servicemen in 1967 and, after being commissioned as an officer, served in Vietnam and later with the Papua New Guinea Defence Force and then with the British Army in the United Kingdom and Germany in 1984, his expertise being in logistics and support services. After leaving military service in 1987, Mr. Ainsworth has undertaken various successful business ventures on his own account in Victoria and other states, mostly in property development, management and investment.





## PACRIM ENERGY LTD

# REPORT OF THE DIRECTORS

Your directors present their report on the group accounts of the company, consisting of Pacrim Energy Limited and the entities it controlled at the end of, or during, the year ended 31 December 2008.

### DIRECTORS

The following persons hold office as directors of Pacrim Energy Limited at the date of this report:  
Sir Barry Holloway, R.D. Foster, M.W. Maine, J.F. Ainsworth.

### PRINCIPAL ACTIVITIES

The principal activities of the group during the year were gold and oil/gas exploration.

### REVIEW OF OPERATIONS

The activities during the period are set out in a separate detailed Operations Report.

### CONSOLIDATED RESULTS

The group's net loss after tax for the year ended 31 December 2008 was \$3,552,439 (2007 \$898,585 loss).

### DIVIDENDS

The company has not declared a dividend nor do the directors recommend the payment of any dividend.

### SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Significant changes in the affairs of the group that occurred during the year were as follows:

#### Exploration expenditure

Exploration expenditure totalling \$5,130,257 has been carried forward in the balance sheet as at 31 December 2008, compared to \$7,362,613 as at 31 December 2007

#### Share issues

16.01.2008: 19,250,000 shares at a price of \$0.02 Australian currency. These were issued to raise funds for the development of the Redcliffe Gold Project.

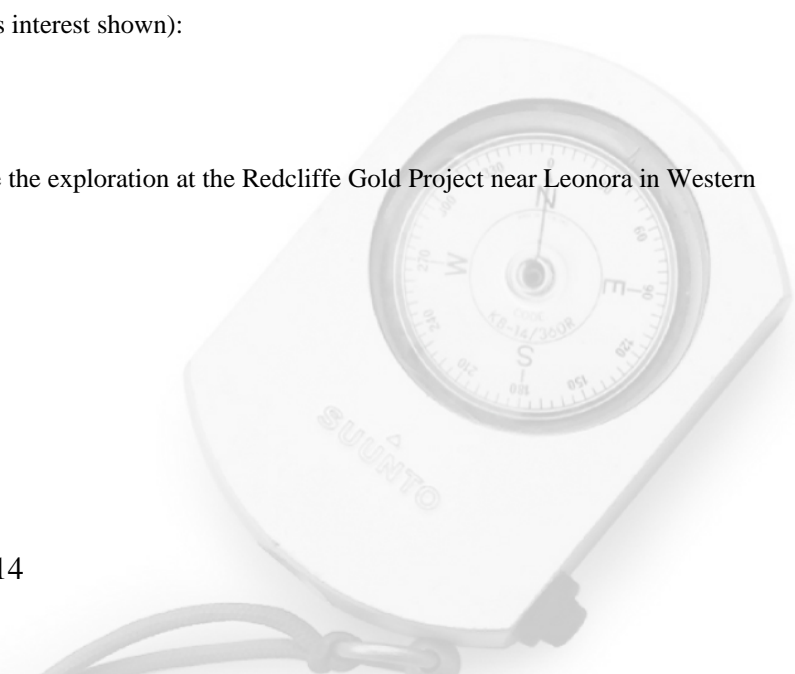
#### Sale of Oil & Gas Interests

On 19 February 2008 Pacrim Energy announced that it had entered into an agreement with Twinza Oil Limited for the sale of its oil and gas interests in New Zealand, Papua New Guinea and Queensland. The consideration for the sale was AUD\$1.5 million which would be paid in two installments of AUD\$750,000 each. The first payment was made during the March 2008 quarter and the second payment on the 31 December 2008.

Included in the agreement were the following assets (with Pacrim's interest shown):

Pandora Project (PNG)	6.36%
Westland Basin Project (NZ)	35%
Cooper Eromanga Basin Project (Qld)	100%

The funds received from the sale will be used primarily to advance the exploration at the Redcliffe Gold Project near Leonora in Western Australia.





## **PACRIM ENERGY LTD**

# **REPORT OF THE DIRECTORS**

### **SIGNIFICANT EVENTS AFTER THE BALANCE DATE**

No Significant Events occurred after Balance date.

### **LIKELY DEVELOPMENTS AND EXPECTED RESULTS**

The likely developments in the operations of the economic entity and the expected results of those operations in the years subsequent to the financial year ended 31 December 2008 have been covered generally within this report.

### **ENVIRONMENTAL REGULATION AND PERFORMANCE**

In the course of its exploration, the group carries out sampling and drilling operations that have environmental implications both by way of in situ activities and also gaining access to sites. In such cases, rehabilitation of land and the elimination of any dangerous earthworks are a normal requirement. Apart from this, the company is not subject to any particular or significant environmental regulation.

### **CORPORATE GOVERNANCE**

In recognising the need for the highest standards of corporate behavior and accountability, the directors of Pacrim Energy Ltd support and have adhered to the principles of corporate governance. The company's corporate governance statement and report for the year ended 31st December 2008 is contained in this annual report.

### **SHARE OPTIONS**

No share options were issued during the financial year:

A total of 19,250,000 options were exercised on 16 January 2008 at an exercise price of .02c AUD

### **INDEMNIFICATION OF AUDITORS AND DIRECTORS**

During the year, no insurance was effected for directors and officers liability insurance for the company and related bodies corporate. No indemnity was implemented in respect of the auditors.

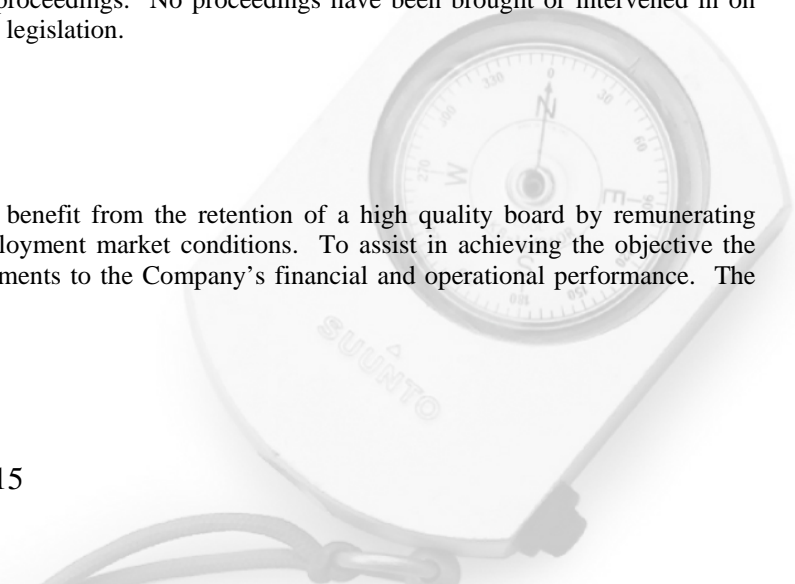
### **PROCEEDINGS ON BEHALF OF THE COMPANY**

No person has applied to the court under legislation such as section 237 of the Corporations Act of Australia for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party, for the purpose of taking responsibility on behalf of the company for all or part of those proceedings. No proceedings have been brought or intervened in on behalf of the consolidated entity with leave of the court under such legislation.

### **REMUNERATION REPORT**

#### **Remuneration Policy**

It is the Company's objective to provide maximum stakeholder benefit from the retention of a high quality board by remunerating directors fairly and appropriately with reference to relevant employment market conditions. To assist in achieving the objective the Board links the nature and amount of executive directors' emoluments to the Company's financial and operational performance. The expected outcome of the Company's remuneration structure is:





## PACRIM ENERGY LTD

### REPORT OF THE DIRECTORS

- Retention and Motivation of Directors and Executives
- Performance rewards to allow Directors and Executives to share the rewards of the success of Pacrim Energy Limited.

Remuneration may include share option schemes, superannuation and professional indemnity and liability policies. Any equity based remuneration will only be made with the prior approval of shareholders in general meeting. The remuneration of an executive director will be decided by the Remuneration Committee. The Remuneration Committee consists of Mr. Maine and Mr. Ainsworth.

The Board is responsible for determining and reviewing compensation arrangements for the non executive directors, without the affected director participating in that decision making process. The maximum remuneration of non-executive directors is the subject of Shareholder resolution in accordance with the Company's Constitution, and the Corporations Law as applicable. The appointment of non-executive director remuneration within that maximum will be made by the Board having regard to the inputs and value of the Company of the respective contributions by each non-executive director. When setting fees and other compensation for non-executive directors, the Board will seek independent advice and apply Australian benchmarks. The Board may award additional remuneration to non-executive directors called upon to perform extra services or make special exertions on behalf of the Company.

There is no scheme to provide retirement benefits, other than statutory superannuation, to non-executive directors.

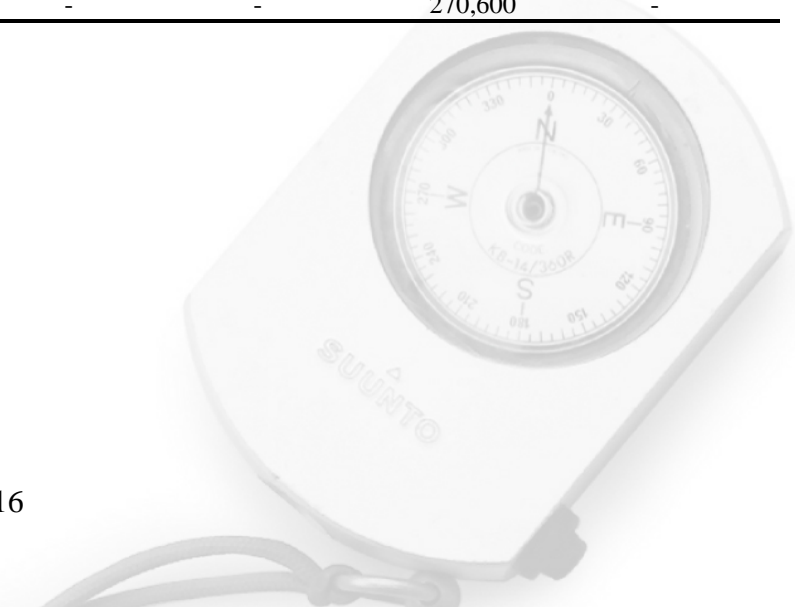
The Remuneration Committee will undertake an annual assessment of the performance of the individual directors and meet privately with each director to discuss this assessment. Position descriptions are in place for directors and executives and will be used as a basis for assessing performance.

#### Performance Based Remuneration

The Company does not currently have an ownership based remuneration scheme for directors and executives.

#### DIRECTORS AND EXECUTIVE OFFICERS' EMOLUMENTS

2008 Names	Annual Emoluments		Performance Related		Total \$	% of Remuneration consisting of Options
	Salary & Fees \$	Other \$	Options Granted	Options Value \$		
Mr Rodney D Foster	174,996	17,160	-	-	192,156	-
Sir Barry B Holloway	28,444	-	-	-	25,000	-
Mr Mark W Maine	25,000	-	-	-	25,000	-
Mr John F Ainsworth	25,000	-	-	-	25,000	-
	253,440	17,160	-	-	270,600	-





## PACRIM ENERGY LTD

### REPORT OF THE DIRECTORS

2007 Names	Annual Emoluments		Performance Related		Total \$	% of Remuneration consisting of Options
	Salary & Fees \$	Other \$	Options Granted	Options Value \$		
Mr Rodney D Foster	175,005	16,758	-	-	191,763	-
Sir Barry B Holloway	24,175	-	-	-	24,175	-
Mr Mark W Maine	28,750	-	-	-	28,750	-
Mr John F Ainsworth	28,750	-	-	-	28,750	-
	<u>258,956</u>	<u>16,758</u>	<u>-</u>	<u>-</u>	<u>275,714</u>	<u>-</u>

- (i) Salary and fees includes fees paid to director related entities for services provided. The director related entities include Minico Pty Ltd, RM Corporate Pty Ltd and Yundamindra Pty Ltd.
- (ii) "other" amounts include amounts paid to Minico Pty Ltd for the rental of the companies Exploration Office in Ballarat and Exploration Base in Leonora.

#### DIRECTORS' AND EXECUTIVES DISCLOSURES

At the date of this report, directors held the following interests in the company's shares. There are no individuals that have been determined to be specified executives at the date of this report.

#### Shareholdings

Directors	Fully paid	Partly paid
Mr Rodney D Foster	38,612,000	-
Sir Barry B Holloway	-	500,000
Mr Mark W Maine	1,500,000	-
Mr John F Ainsworth	10,895,999	-





## PACRIM ENERGY LTD

### REPORT OF THE DIRECTORS

Changes to holdings of fully paid shares during the calendar year are as follows:

Directors	Balance 1.1.2008	Acquisitions	Disposals	Balance 31.12.2008
Mr Rodney D Foster	38,612,000	-	-	38,612,000
Sir Barry B Holloway	-	-	-	-
Mr Mark W Maine	1,000,000	500,000	-	1,500,000
Mr John F Ainsworth	7,492,500	3,403,499	-	10,895,999

Holdings of partly paid shares did not change during the year.

#### MEETINGS OF DIRECTORS

There were 4 meetings of directors during the year ended 31 December 2008. Details of attendance by directors at the meetings are as follows:

	<u>Maximum possible</u>	<u>Attended</u>
Sir B.B. Holloway	4	1
R.D. Foster	4	4
M.W. Maine	4	4
J.F. Ainsworth	4	4

#### Sub-committees

##### Audit committee (1 meeting)U

M.W. Maine	1
J.F. Ainsworth	1

##### Remuneration committee (1 meeting)U

M.W. Maine	1
J.F. Ainsworth	1





**PACRIM ENERGY LTD**

## **REPORT OF THE DIRECTORS**

### **AUDITOR'S INDEPENDENCE DECLARATION**

We have obtained the following independence declaration from our auditor, J.S. Spence of Sinton Spence Chartered Accountants.

#### **Auditor's Independence Declaration to the Directors of Pacrim Energy Limited**

In relation to our audit of the financial report of Pacrim Energy Limited for the year ended 31<sup>st</sup> December 2008, 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.

J.S. Spence  
(Registered under the Papua New Guinea Accountants Act, 1996)  
Boroko, Papua New Guinea  
31<sup>st</sup> March 2009  
Sinton Spence Chartered Accountants  
PO Box 6861, Boroko, National Capital District, Papua New Guinea  
Ph: 675 325 7611  
Fax: 675 325 9389

Signed at Ballarat 31<sup>st</sup> March 2009 in accordance with a resolution of the directors.

Rodney David FOSTER  
*Managing Director*





## PACRIM ENERGY LTD

# CORPORATE GOVERNANCE STATEMENT

### Board of directors

The board is responsible for all matters relating to the policies, practices, management, operations and objectives of the company. This generally includes the following:

- To set the policies and strategic direction of the company
- To monitor the performance of the company, the board and management
- To approve strategic commitments, work programs and budgets
- To report to shareholders
- To take responsibility for corporate governance

### Board performance review

The board does not perform a formal evaluation of its performance. A review is done informally on an ongoing basis.

### Composition of the board

The maximum number of directors is eight. It has been the policy and practice of the company since incorporation in 1988 to have a mix of executive and non-executive directors. This recognises that the company is lean enough to rely on a core of executive staff, but requires the frequent input at board level of people possessing professional skills and experience, both in exploration and in other business-related disciplines. The company supports the policy that the Chairman should be a non-executive director and, since incorporation, the Chairman has always been non-executive.

### Criteria for board membership

The criteria for board membership are solely that a candidate should bring to the board the skills and integrity required for the conduct of a public-listed exploration company. The board is of the firm belief that this policy has been implemented and practised. The composition of the board has been generally constant in recent times and the cross-section of skills reflects those ideal for a listed explorer. There are no particular restrictions on the nomination of directors; a board member may nominate a person considered appropriate, or a candidate may be nominated by shareholders under the conditions and procedures for nomination of directors as set down in the constitution, the Companies Act of Papua New Guinea or the Corporations Act of Australia.

### Share transactions by directors

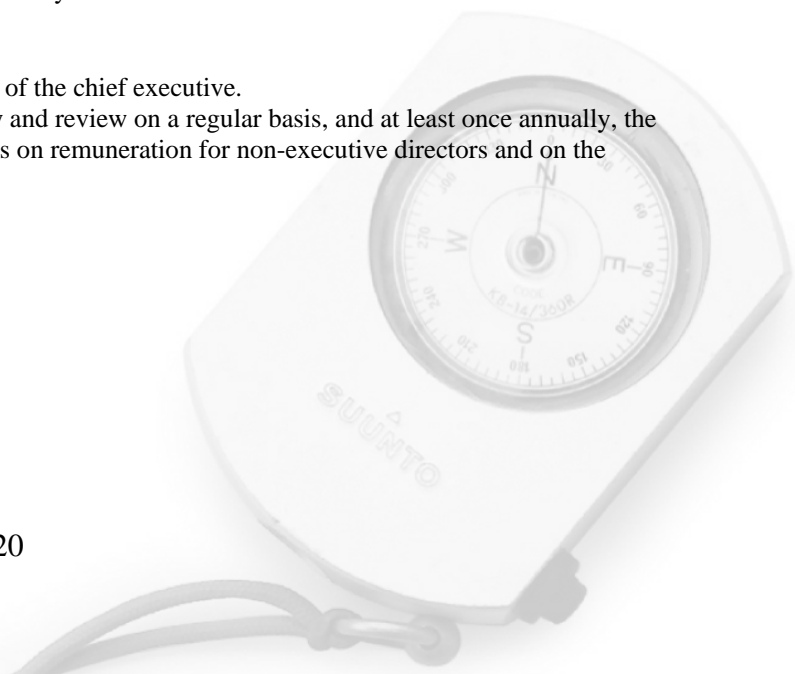
There are no formal restrictions set down on the circumstances and times when directors may buy or sell shares in the company. However, directors are made aware on relevant occasions that information they possess, e.g. on drilling progress, has not been released to the market and may well be price-sensitive.

### Audit committee responsibilities

1. To ensure that accounting records are maintained in accordance with statutory requirements.
2. To liaise with the company's auditors to ensure that financial information furnished to shareholders, the Australian Stock Exchange, statutory authorities and other interested parties is timely and reliable.

### Remuneration committee responsibilities

1. To establish the remuneration, conditions and responsibilities of the chief executive.
2. To take relevant advice from external consultants if necessary and review on a regular basis, and at least once annually, the remuneration of executive staff and to make recommendations on remuneration for non-executive directors and on the apportionment of directors' fees.





## PACRIM ENERGY LTD

# CORPORATE GOVERNANCE STATEMENT

### Independent advice

A director is free to seek independent professional advice at the company's expense concerning any aspect of his duties about which he feels obliged. There have been no instances of this recently.

### General risk management

The company conducts a regular annual review of its insurance requirements, coupled with implementation of insurance from time to time to cover specific projects or specific locations.

Where the company is not the operator for a project, insurance is put in place by the relevant operator as a component of the consortium's project costs and is included in budgets reviewed and approved by the consortium members.

### Financial risk

The company is exposed to exchange rate fluctuations in assets, exploration outlays and revenue. It has, however, limited ability to mitigate this risk. In contributing to exploration expenditure, for example, the timing of payments is often varied at short notice, which makes hedging difficult and probably not cost-effective. The risk is therefore minimised as much as possible by assessment by executive directors of the avenues available in specific cases.

### Shareholder communication

The board aims to ensure that shareholders and investors have equal access to the company's information. The company has policies and procedures designed to ensure compliance with ASX Listing Rules. This disclosure policy includes identification and recognition of matters which may have a material effect on the price of the company's shares and notifying them to ASX. The company also has in place a strategy to disseminate information to shareholders and encourage effective participation at shareholder meetings, as well as to communicate material to regulatory authorities and the broader community.

### Review of corporate governance

The board has reviewed its current practices in light of the ASX Principles of Good Corporate Governance and Best Practice Guidelines, with a view to making amendments where applicable, after taking into account the company's size and the resources it has available. As the company's activities develop, further consideration will be given to increasing the size of the board and the implementation of additional governance committees.

The table below identifies the ASX Best Practice Recommendations and whether or not the company has complied with the recommendations during the reporting period.

			Note
1.1	Formalise and disclose the functions reserved to the board and those delegated to management	Y	
2.1	A majority of the board should be independent directors	Y	
2.2	The chairperson should be an independent director	Y	
2.3	The roles of chairperson and chief executive officer should not be exercised by the same person	Y	
2.4	The board should establish a nomination committee	N	1
3.1	Establish a code of conduct to guide the directors, the chief executive officer (or equivalent), the chief financial officer (or equivalent) and any other key executives as to:	N	2
	3.1.1 The practices necessary to maintain confidence in the company's integrity		
	3.1.2 The responsibility and accountability of individuals for reporting and investigating reports of unethical practices		
3.2	Disclose the policy concerning trading in company securities by directors, officers and employees	Y	
3.3	Provide the information indicated in <i>Guide to reporting on principle 3</i>	Y	
4.1	Require the chief executive to (or equivalent) and the chief financial officer (or equivalent) to state in writing to the board that the company's financial reports present a true and fair view, in all material respects, of the company's financial condition and are in accordance with relevant accounting standards.	Y	



## PACRIM ENERGY LTD

### CORPORATE GOVERNANCE STATEMENT

4.2	The board should establish an audit committee	Y	
4.3	Structure the audit committee so that it consists of: <ul style="list-style-type: none"> <li>only non-executive directors</li> <li>a majority of independent directors</li> <li>an independent chairperson, who is not chairperson of the board</li> <li>at least three members</li> </ul>	N	3
4.4	The audit committee should have a formal charter	N	4
4.5	Provide the information indicated in <i>Guide to reporting on principle 4</i>	Y	
5.1	Ensure written policies and procedures designed to ensure compliance with ASX Listing Rules disclosure requirements and to ensure accountability at senior management level with that compliance	N	5
5.2	Provide the information indicated in <i>Guide to reporting on principle 5</i>	Y	
6.1	Design and disclose a communications strategy to promote effective communication with shareholders and encourage effective participation at general meetings	Y	
6.2	Request the external auditor to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.	Y	
7.1	The board or appropriate board committee should establish policies on risk oversight and management.	Y	
7.2	The chief executive officer (or equivalent) and the chief financial officer (or equivalent) should state to the board in writing that: <p>7.2.1 The statement given in accordance with best practice recommendation 4.1 (the integrity of financial statements) is founded on a system of risk management and internal compliance and control which implements the policies adopted by the board.</p> <p>7.2.2 The company's risk management and internal compliance and control system is operating efficiently in all material respects.</p>	Y	
7.3	Provide the information indicated in <i>Guide to reporting on principle 7</i>	Y	
8.1	Disclose the process for performance evaluation of the board, its committees and individual directors, key executives and corporate performance.	Y	
9.1	Provide disclosure in relation to the company's remuneration policies to enable investors to understand: <p>9.1.1 The costs and benefits of these policies</p> <p>9.1.2 The link between remuneration paid to directors and key executives and corporate performance.</p>	Y	
9.2	The board should establish a remuneration committee.	Y	
9.3	Clearly distinguish the structure of non-executive directors' remuneration from that of executives.	Y	
9.4	Ensure that payment of equity-based executive remuneration is made in accordance with thresholds set in plans approved by shareholders.	N	6
9.5	Provide the information indicated in <i>Guide to reporting on principle 9</i>	Y	
10.1	Establish and disclose a code of conduct to guide compliance with legal and other obligations to legitimate stakeholders.	N	7

- The role of the nomination committee has been assumed by the full board. The size of the company does not justify the establishment of such a committee.
- The board is yet to establish a code of conduct.
- The audit committee is presently composed of all non-executive directors who are considered to be independent. The board currently has insufficient members to allow the flexibility to fully comply with the Best Practice Guidelines.
- The board is yet to establish a formal charter for the audit committee.



**PACRIM ENERGY LTD**

## **CORPORATE GOVERNANCE STATEMENT**

5. No written procedures are yet in place.
6. The company does not have any equity-based payments to executives.
7. The company has not yet adopted a code of conduct.



# PACRIM ENERGY LIMITED

## INDEPENDENT AUDIT REPORT

To the members of Pacrim Energy Limited

### Report on the Financial Report

We have audited the accompanying financial report of Pacrim Energy Ltd, which comprises the balance sheet as at 31 December 2008, and the income statement, statement of changes in equity and cashflow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year end or from time to time during the financial year.

As permitted by the Corporations Regulations 2001, the company has disclosed information about the remuneration of directors and executives (remuneration disclosures), required by Accounting Standard AASB 124: Related Party Disclosures, under the heading 'Remuneration Report' in pages 15 to 17 of the directors report and not in the financial report.

### Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with International Financial Reporting Standards (IFRS) the Australian Corporations Act 2001 and PNG Companies Act 1997. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

The directors also are responsible for preparation and presentation of the remuneration disclosures contained in the directors' report in accordance with the Corporations Regulations 2001

The names of the subsidiaries controlled during all or part of, or at the end of, the financial year, but of which we have not acted as auditor, are set out in note 20 to the accounts. We have, however, received sufficient information and explanations concerning the subsidiaries to enable us to form an opinion on the consolidated accounts.

This firm carries out other assignments on behalf of the company in the areas of taxation and statutory compliance.

### Independence

In conducting our audit, we have complied with the independence requirements of the Australian Corporations Act 2001. We confirm that the independence declaration required by the Australian Corporations Act 2001, provided to the directors of Pacrim Energy Ltd on 31 March 2009, would be in the same terms if provided to the directors as at the date of this auditor's report.

### Qualification

In accordance with the company's accounting policy, exploration expenditure of \$5,130,257 (2007: \$7,362,613) has been included in the financial statements as non-current assets. The recoverability of the capitalised exploration expenditure and the ability of the company to meet its debts as and when they fall due are dependent upon the success of future exploration or realisation of the exploration assets. Significant exploration and development activities can only continue if the company is successful in raising additional funds, either through the establishment of joint ventures, sale of investments or the raising of additional equity from its shareholders and/or new investors.

### Auditor's Opinion

In our opinion, and subject to the effects the qualification paragraph could have, if any the financial report of the consolidated entity, comprising Pacrim Energy Limited and the entities it controlled during the year is in accordance with:

(a) the PNG *Companies Act 1997 and Australian Corporations Act 2001*, including:

- (i) giving a true and fair view of the financial position of the consolidated entity at 31 December 2008 and of its performance for the year ended on that date; and
- (ii) complying to International Financial Reporting Standards (IFRS); and

(b) other mandatory financial reporting requirements in Australia and Papua New Guinea

**PACRIM ENERGY LIMITED  
INDEPENDENT AUDIT REPORT**

Signed in Boroko on 31<sup>st</sup> March 2009



J.S Spence  
(Registered under the Papua New Guinea Accountants Act, 1996)  
Boroko, Papua New Guinea  
Sinton Spence Chartered Accountants  
PO Box 6861, Boroko, National Capital District, Papua New Guinea  
Ph: 675 325 7611  
Fax : 675 325 9389



**PACRIM ENERGY LTD**

## **DIRECTORS' DECLARATION**

In accordance with a resolution of the directors, we state that:

In the opinion of the directors:

- (a) the financial statements and notes of the consolidated entity:
  - i. give a true and fair view of the financial position as at 31 December 2008 and the performance for the year ended on that date of the consolidated entity; and
  - ii. comply with International Accounting Standards and the Companies Act 1997 of the Independent State of Papua New Guinea; and
- (b) at the date of this statement there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed at Ballarat 31<sup>st</sup> March 2009

Rodney David FOSTER  
*Managing Director*

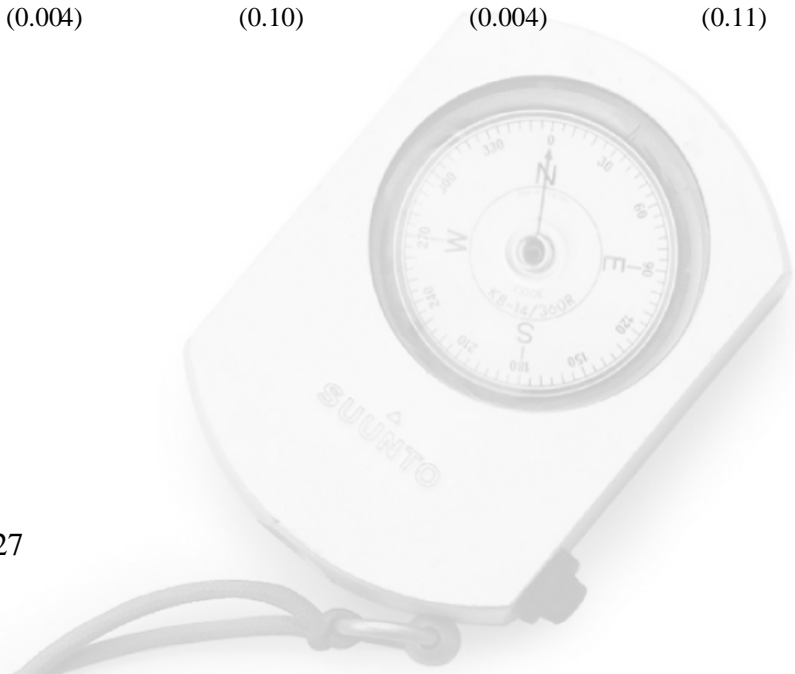




**PACRIM ENERGY LTD**

**INCOME STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2008**

	Notes	PARENT		CONSOLIDATED	
		31 DECEMBER 2008 AUD	31 DECEMBER 2007 AUD	31 DECEMBER 2008 AUD	31 DECEMBER 2007 AUD
<b>Ordinary Activities</b>					
Revenue from ordinary activities	3	961,082	163,395	961,082	153,091
Exploration expenditure written off		(1,364,874)		(3,837,486)	(52,590)
Loss on foreign exchange		(22,737)	(19,434)	(27,310)	(18,879)
Other expenses from ordinary activities	4	(2,970,055)	(968,145)	(648,725)	(980,207)
<b>Loss from Ordinary Activities before Income Tax Expense</b>		(3,396,584)	(824,184)	(3,552,439)	(898,585)
Income Tax Expense relating to ordinary activities	5	-	-	-	-
<b>Loss from Ordinary Activities after Income Tax Expense</b>		(3,396,584)	(824,184)	(3,552,439)	(898,585)
Basic earnings per share (cents per share)	17	(0.004)	(0.10)	(0.004)	(0.11)
Dilutive earnings per share (cents per share)	17	(0.004)	(0.10)	(0.004)	(0.11)





**PACRIM ENERGY LTD**

**BALANCE SHEET  
AS AT 31 DECEMBER 2008**

	Notes	PARENT		CONSOLIDATED	
		31 DECEMBER 2008 AUD	31 DECEMBER 2007 AUD	31 DECEMBER 2008 AUD	31 DECEMBER 2007 AUD
<b>CURRENT ASSETS</b>					
Cash	23b	929,079	1,756,897	929,079	1,756,897
Receivables	6	24,442	123,070	24,442	123,070
<b>TOTAL CURRENT ASSETS</b>		<b>953,521</b>	<b>1,879,967</b>	<b>953,521</b>	<b>1,879,967</b>
<b>NON-CURRENT ASSETS</b>					
Receivables	8	-	2,306,063	-	-
Investment in subsidiaries	9	1,746	1,746	-	-
Property, plant & equipment	10	207,405	192,666	207,405	192,666
Other including ongoing exploration	11	5,130,257	5,415,349	5,130,257	7,362,613
Other financial assets	7	-	-	-	-
<b>TOTAL NON-CURRENT ASSETS</b>		<b>5,339,408</b>	<b>7,915,824</b>	<b>5,337,662</b>	<b>7,555,279</b>
<b>TOTAL ASSETS</b>		<b>6,292,929</b>	<b>9,795,791</b>	<b>6,291,183</b>	<b>9,435,246</b>
<b>CURRENT LIABILITIES</b>					
Payables	12	151,337	615,040	151,337	615,040
Current portion of lease	13	43,257	47,370	43,257	47,370
<b>TOTAL CURRENT LIABILITIES</b>		<b>194,594</b>	<b>662,410</b>	<b>194,594</b>	<b>662,410</b>
<b>NON-CURRENT LIABILITIES</b>					
Loans	14	79,201	59,407	-	-
Leases	13	-	43,257	-	43,257
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>79,201</b>	<b>102,664</b>	<b>-</b>	<b>43,257</b>
<b>TOTAL LIABILITIES</b>		<b>273,795</b>	<b>765,074</b>	<b>194,594</b>	<b>705,667</b>
<b>NET ASSETS</b>		<b>6,019,133</b>	<b>9,030,717</b>	<b>6,096,588</b>	<b>8,729,579</b>
<b>EQUITY</b>					
Contributed Equity	15	26,239,890	25,854,890	26,239,890	25,854,890
Reserves	16	513,276	513,276	841,861	307,413
Retained Profit/(Loss)		(20,734,033)	(17,337,449)	(20,985,163)	(17,432,724)
<b>TOTAL EQUITY</b>		<b>6,019,133</b>	<b>9,030,717</b>	<b>6,096,588</b>	<b>8,729,579</b>



**PACRIM ENERGY LTD**

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2008**

<b>Consolidated</b>	<b>Issued Capital AUD</b>	<b>Retained Earnings AUD</b>	<b>Other Reserves AUD</b>	<b>Total Equity AUD</b>
<b>At 1 January 2007</b>	24,350,890	(16,534,139)	342,560	8,159,311
Share issue costs for share purchase plan	(96,000)	-	-	(96,000)
Unrealised foreign currency loss	-	-	(294,147)	(294,147)
Profit / (Loss) for the period	-	(898,585)	-	(898,585)
Proceeds from issuing of shares	1,600,000	-	-	1,600,000
Cost of Share-Based Payments	-	-	259,000	259,000
<b>At 31 December 2007 / 1 January 2008</b>	<b>25,854,890</b>	<b>(17,432,724)</b>	<b>307,413</b>	<b>8,729,579</b>
Unrealised foreign currency loss	-	-	534,448	534,448
Profit / (Loss) for the period	-	(3,552,439)	-	(3,552,439)
Proceeds from Option Takeup	385,000	-	-	385,000
<b>At 31 December 2008</b>	<b>26,239,890</b>	<b>(20,985,163)</b>	<b>841,861</b>	<b>6,096,588</b>

<b>Parent</b>	<b>Issued Capital AUD</b>	<b>Retained Earnings AUD</b>	<b>Other Reserves AUD</b>	<b>Total Equity AUD</b>
<b>At 1 January 2007</b>	24,350,890	(16,513,265)	254,276	8,091,901
Share issue costs for share purchase plan	(96,000)	-	-	(96,000)
Unrealised foreign currency loss	-	-	-	-
Profit / (Loss) for the period	-	(824,184)	-	(824,184)
Proceeds from issuing of shares	1,600,000	-	-	1,600,000
Cost of Share-Based Payments	-	-	259,000	259,000
<b>At 31 December 2007 / 1 January 2008</b>	<b>25,854,890</b>	<b>(17,337,449)</b>	<b>513,276</b>	<b>9,030,717</b>
Unrealised foreign currency loss	-	-	-	-
Profit / (Loss) for the period	-	(3,396,584)	-	(3,396,584)
Proceeds from Option Takeup	385,000	-	-	385,000
<b>At 31 December 2008</b>	<b>26,239,890</b>	<b>(20,734,033)</b>	<b>513,276</b>	<b>6,019,133</b>

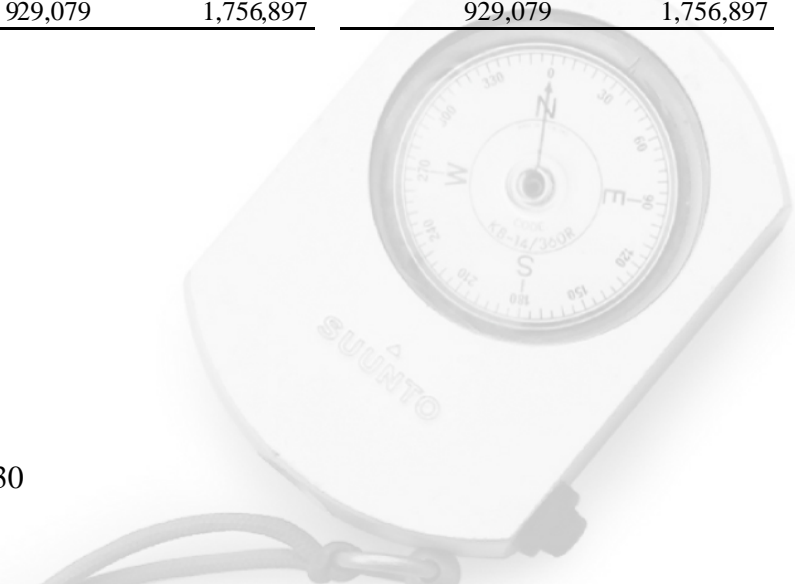




**PACRIM ENERGY LTD**

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2008**

	<u>PARENT</u>		<u>CONSOLIDATED</u>	
	<u>31 DECEMBER 2008 AUD</u>	<u>31 DECEMBER 2007 AUD</u>	<u>31 DECEMBER 2008 AUD</u>	<u>31 DECEMBER 2007 AUD</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Payments to Suppliers and Employees	(994,185)	(694,243)	(1,017,791)	(706,304)
Interest and other items of a similar nature received	64,518	139,082	64,518	139,082
<b>NET OPERATING CASH FLOWS</b>	<u>(929,667)</u>	<u>(555,161)</u>	<u>(953,273)</u>	<u>(567,222)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Payments for purchases of fixed assets	(70,105)	(178,594)	(70,105)	(178,594)
Payments for exploration activities	(1,641,761)	(1,456,705)	(1,637,188)	(1,627,192)
Receipt from sale of prospects	1,497,500	-	1,497,500	1,206,127
<b>NET INVESTING CASH FLOWS</b>	<u>(214,366)</u>	<u>(1,635,299)</u>	<u>(209,793)</u>	<u>(599,659)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Cash proceeds from issue of shares	385,000	1,600,000	385,000	1,600,000
Cost of issuing shares	-	(96,000)	-	(96,000)
Repayment from/(Payment to) group members	-	1,184,190	-	-
Proceeds from lease finance	-	99,597	-	99,597
Payment of lease finance principal	(47,370)	(8,970)	(47,370)	(8,970)
Payment of lease finance interest	(6,955)	(1,609)	(6,955)	(1,609)
<b>NET FINANCING CASH FLOWS</b>	<u>330,674</u>	<u>2,777,208</u>	<u>330,674</u>	<u>1,593,018</u>
<b>NET INCREASE/(DECREASE) IN CASH HELD</b>				
Cash at beginning of the year	1,756,897	1,165,241	1,756,897	1,337,559
Foreign Exchange Gains/(Losses)	(14,460)	4,908	4,573	(6,799)
<b>CASH AT END OF YEAR</b>	<u>929,079</u>	<u>1,756,897</u>	<u>929,079</u>	<u>1,756,897</u>





## **PACRIM ENERGY LTD**

# **NOTES TO THE FINANCIAL ACCOUNTS**

### **1) CORPORATE INFORMATION**

The financial report of Pacrim Energy Limited for the year ended 31 December 2008 was authorised for issue in accordance with a resolution of the directors on 31 March 2009.

Pacrim Energy Limited is a company limited by shares incorporated in the Independent State of Papua New Guinea whose shares are publicly traded on the Australian Stock Exchange.

The nature of the operations and principal activities of the Group are described in note 18.

### **2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **a) Basis of Preparation**

The financial reports of the parent company and the group have been drawn up in accordance with International Financial Reporting Standards and the Companies Act of the Independent State of Papua New Guinea. They have been prepared on the basis of historical costs and do not take into account changing money values, or except where stated, current valuations of non-current assets. Unless otherwise stated, the accounting policies adopted are consistent with those of the previous year.

#### **b) Statement of compliance**

The financial report complies with International Financial Reporting Standards. Compliance with these standards also ensures that the financial report, comprising the financial statements and notes thereto, comply with Australian equivalents to International Financial Reporting Standards ('AIFRS').

#### **c) Basis of consolidation**

The consolidated financial statements comprise the financial statements of Pacrim Energy Limited and its subsidiaries as at 31 December each year ('the Group') as defined by the Companies Act 1997 of the Independent State of Papua New Guinea.

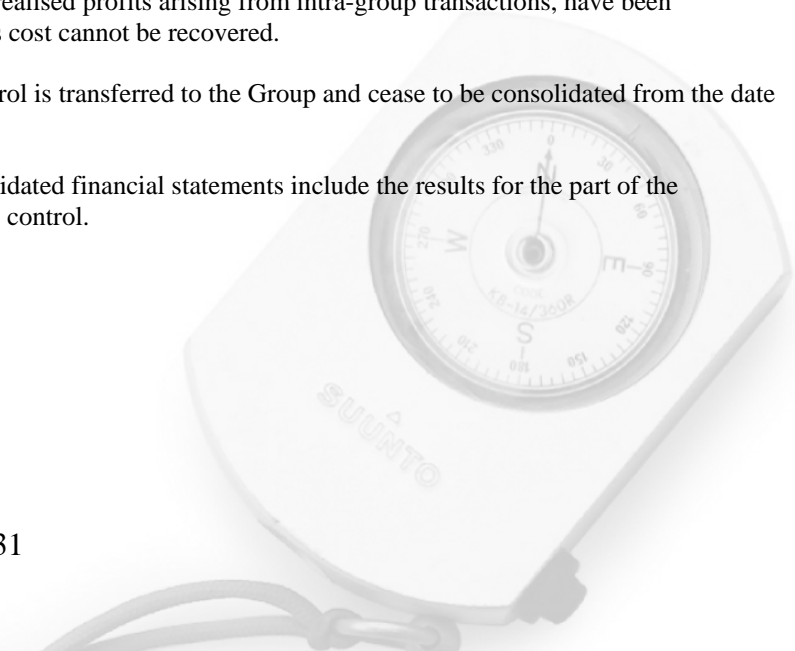
The financial statements of the subsidiaries are prepared in the same reporting period as the parent company, using consistent accounting policies.

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless cost cannot be recovered.

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

Where there is a loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting period during which Pacrim Energy Limited has control.





## PACRIM ENERGY LTD

### NOTES TO THE FINANCIAL ACCOUNTS

#### d) Foreign currency translation

Both the functional and presentation currency of Pacrim Energy Limited at 31 December 2008 are Australian Dollars (AUD).

The presentation currency for Pacrim Energy Limited and all of its subsidiaries is Australian Dollars (AUD). However, the subsidiaries may have different functional currencies. The following table sets out the functional currency of each of the subsidiaries of the Group:

Subsidiary	Functional Currency
Pacrim (PNG) Limited	Papua New Guinean Kina
Pacrim US Energy Corporation	United States Dollars

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

All differences in the consolidated financial report are taken to the income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Where the functional currency of a subsidiary of Pacrim Energy Limited is not Australian Dollars (AUD) the assets and liabilities of the subsidiary are translated into the presentation currency of Pacrim Energy Limited at the rate of exchange ruling at the balance sheet date and the income statements are translated by applying the monthly average exchange rate at transaction date.

The exchange differences arising on the retranslation are taken directly to a separate component of equity.

On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

#### e) Revenue Recognition

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

##### Sale of goods and disposal of assets

Revenue from the sale of goods and disposal of other assets is recognised when the consolidated entity has passed control of the goods or other assets to the buyer.

##### Interest and dividends

Revenue from interest and dividends are recognised when the consolidated entity gains control of the right to receive the interest or dividend payment.

#### f) Property, plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated using the diminishing value basis over the useful life of the asset to the group, commencing from the time the asset is first held ready for use. Useful lives of plant and equipment range from 5 to 20 years.



## PACRIM ENERGY LTD

# NOTES TO THE FINANCIAL ACCOUNTS

### g) Impairment of Assets

The carrying values of assets are reviewed for impairment at each reporting date, with recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired.

The recoverable amount of plant and equipment is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate largely independent cash inflows, recoverable amount is determined for the cash-generating unit to which the asset belongs, unless the asset's value in use can be estimated to be close to its fair value.

An impairment exists when the carrying value of an asset or cash-generating unit exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount.

For plant and equipment, impairment losses are recognised in the income statement.

### h) Income tax

Tax-effect accounting principles are adopted whereby income tax expense is calculated on pre-tax accounting profits after adjustment for permanent differences. The tax-effect of timing differences, which occur when items are included or allowed for income tax purposes in a period different to that for accounting, is shown at current taxation rates in the deferred tax assets and deferred tax liabilities, as applicable. The net future income tax benefit relating to tax losses and timing differences is not carried forward as an asset as its realization cannot be regarded as virtually certain.

### i) Other taxes

Revenues, expenses and assets are recognised net of the amount of Goods and Services Tax (GST) except:

- where the GST incurred on the purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

### j) Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short term deposits with an original maturity of three months or less.

For the purposes of the Cashflow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

### k) Trade and other receivables



## PACRIM ENERGY LTD

# NOTES TO THE FINANCIAL ACCOUNTS

Trade and other receivables are recorded at the amount due less any allowance for doubtful debts.

An estimate of doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written-off as incurred.

### **l) Trade and other payables**

Trade and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.

### **m) Share-based payment transactions**

The Group recognises goods and services that are received or acquired as part of a share-based payment transaction when it obtains the goods or as the services are received. A corresponding increase in the equity of the group is recognised where the transaction is an equity-settled share-based transaction.

Where the goods or services received or acquired in a share-based payment transaction do not qualify for recognition as assets they are recognised as expenses directly to the income statement.

Where the value of goods or services received by the Group are not able to be determined reliably or the share-based payment transaction involves a transaction with employees (including directors) or other related entities the value of the goods or services provided is determined with reference to the value of the securities issued.

Where shares are issued as part of an equity-settled share-based payment, and the value of the goods and services received can not be measured reliably, a 5 day weighted average price of the shares at the date the transaction takes place is used to determine the value of the goods and services received.

Where options issued as part of an equity-settled share-based payment and the value of the goods and services received can not be reliably measured the options are valued using the Black-Scholes method of option valuation at the transaction date to determine the value of the goods and services received.

Equity instruments issued (granted) subject to specific vesting conditions are taken to be issued as at the grant date to the percentage of the issued instruments reasonably expected to vest in the holder.

### **n) Exploration and evaluation expenditure**

Exploration and evaluation expenditure is carried as "Ongoing Exploration" at cost.

This represents preliminary exploration and evaluation expenditure costs incurred by or on behalf of the group, together with related overhead expenditure over the exploration prospects for which rights of tenure are current, or are being applied for.

The carrying amount in respect of the exploration prospect is carried forward where activities have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area are continuing.

Where the carrying amount exceeds the amount considered to be fair and reasonable by an independent consulting geologist or the board of directors, the directors will write down the exploration prospect accordingly. Where an exploration area is abandoned, the carrying amount attributable to that area will be written off directly to the income statement.

If it is established that economically recoverable reserves exist in an area, the carrying amount attributable to that area will be amortised on a production output basis over the recoverable reserves.



**PACRIM ENERGY LTD**

## NOTES TO THE FINANCIAL ACCOUNTS

### **o) Investments and other Financial Assets**

All investments are initially recognised at cost, being the value of the consideration given and including acquisition charges associated with the investment. After initial recognition, investments, which are classified as held for trading and available-for-sale, are measured at fair value. Gains or losses on investments held for trading are recognised in the income statement.

Gains or losses on available-for-sale investments are recognised as a separate component of equity until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement.

For investments that are actively traded in organised financial markets, fair value is determined by reference to Stock Exchange quoted market bid prices at the close of business on the balance sheet date.

For investments where there is no quoted market price, fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows for the underlying net assets base of the investment.

Investments in subsidiaries are shown at cost.





## PACRIM ENERGY LTD

# NOTES TO THE FINANCIAL ACCOUNTS

### p) Impairment of Financial Assets

The Group assesses at each balance sheet date whether a financial asset or group of financial assets is impaired. The Group has previously written off its only financial asset through the creation of a provision.

If there is objective evidence that a financial asset is impaired, an amount comprising the difference between its cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to the income statement

### q) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability.

When discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

### r) Contributed Equity

Ordinary shares are classified as equity. Transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

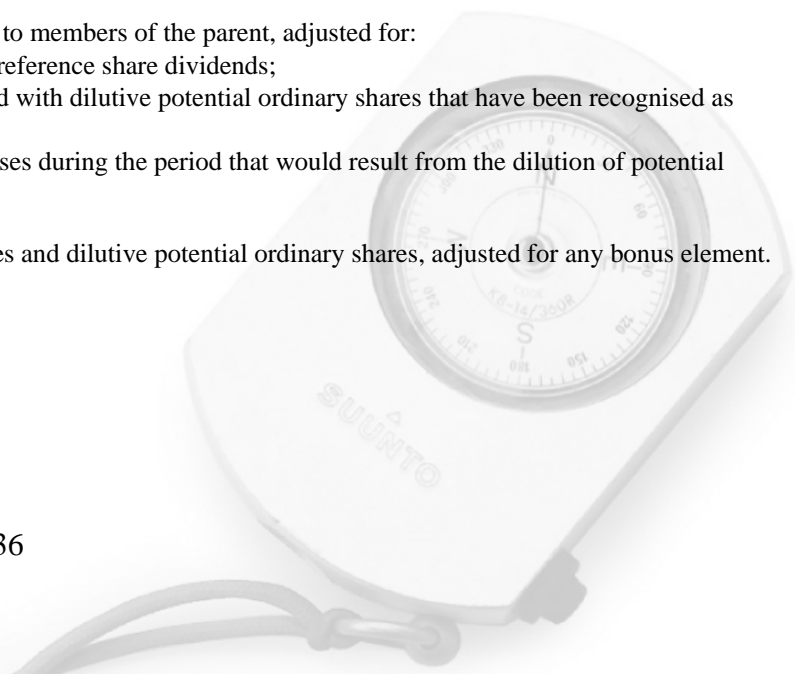
### s) Earnings per share

Basic loss per share is calculated as net loss attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted loss per share is calculated as net loss attributable to members of the parent, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.





**PACRIM ENERGY LTD**

**NOTES TO THE FINANCIAL ACCOUNTS**

	<u>PARENT</u>		<u>CONSOLIDATED</u>	
	<u>31 DECEMBER</u>	<u>31 DECEMBER</u>	<u>31 DECEMBER</u>	<u>31 DECEMBER</u>
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
	<u>AUD</u>	<u>AUD</u>	<u>AUD</u>	<u>AUD</u>
<b>3) REVENUE</b>				
<b>Revenue - Operating activities</b>	-	-	-	-
<b>Revenue - Non Operating activities:</b>				
Interest received	64,518	139,437	64,518	139,437
Foreign exchange gain	8,277	23,958	8,277	13,654
Profit on Sale of Not Current Assets	885,264	-	885,264	-
Sundry Income	3,022	-	3,022	-
<b>Revenue from ordinary activities</b>	<u>961,082</u>	<u>163,395</u>	<u>961,081</u>	<u>153,091</u>

**4) OPERATING PROFIT/(LOSS)**

The profit/(loss) from ordinary activities before income tax expense includes the following specific expenses:-

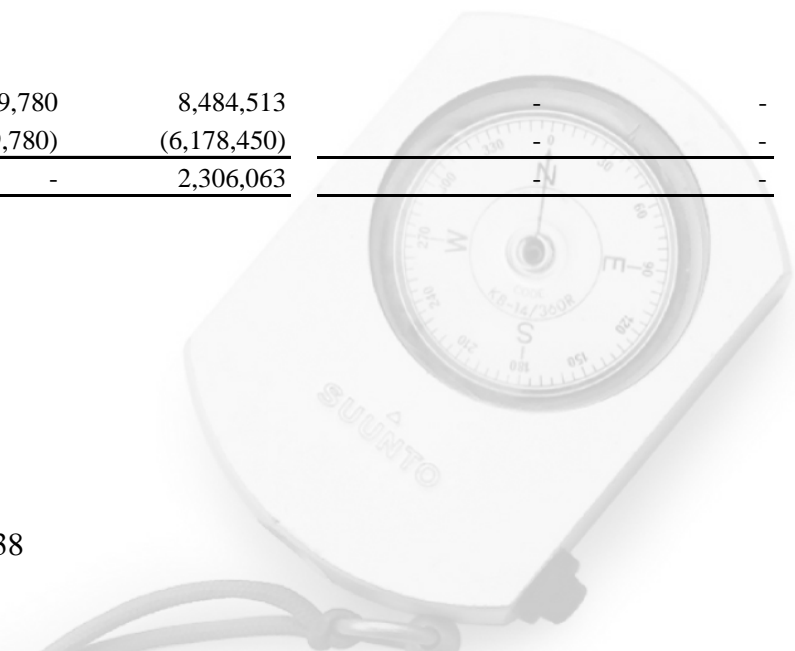
Depreciation of equipment	55,366	17,963	55,366	17,963
Foreign exchange loss	22,737	19,434	19,033	18,878
Interest expense	6,955	1,609	6,955	1,609
Office rental	9,360	9,076	9,360	9,076
Directors' fees	253,440	27,212	253,440	27,212
Provision for impairment of a loan to a controlled entity	2,321,330	-	-	-
Remuneration of auditors				
- Auditing Services	18,526	22,980	18,526	22,980
- Other Services	1,258	1,581	1,258	1,581



**PACRIM ENERGY LTD**

**NOTES TO THE FINANCIAL ACCOUNTS**

	<b>PARENT</b>		<b>CONSOLIDATED</b>	
	<b>31 DECEMBER 2008 AUD</b>	<b>31 DECEMBER 2007 AUD</b>	<b>31 DECEMBER 2008 AUD</b>	<b>31 DECEMBER 2007 AUD</b>
<b>5) INCOME TAX</b>				
<b>Income tax expense/future benefit</b>				
Operating profit/loss	(3,396,584)	(824,184)	(3,552,439)	(898,585)
Adjustments	1,492,465	8,409	1,492,465	8,409
Taxation profit/(loss)	(1,904,119)	(815,775)	(2,059,974)	(890,176)
Tax payable	-	-	-	-
Future income tax benefit	7,491,644	5,048,764	7,508,381	6,369,849
<b>6) CURRENT ASSETS - RECEIVABLES</b>				
Sundry Debtors	24,442	123,070	24,442	123,070
	24,442	123,070	24,442	123,070
<b>7) CURRENT ASSETS - OTHER FINANCIAL ASSETS</b>				
Shares at cost	257,140	257,140	257,140	257,140
Less: writedown provision	(257,140)	(257,140)	(257,140)	(257,140)
Written down value	-	-	-	-
Shares at market value	-	-	-	-
<b>8) NON-CURRENT ASSETS - RECEIVABLES</b>				
Amounts due by subsidiary	8,499,780	8,484,513	-	-
Less: provision for non recovery	(8,499,780)	(6,178,450)	-	-
	-	2,306,063	-	-





**PACRIM ENERGY LTD**

**NOTES TO THE FINANCIAL ACCOUNTS**

	<b>PARENT</b>		<b>CONSOLIDATED</b>	
	<b>31 DECEMBER</b>	<b>31 DECEMBER</b>	<b>31 DECEMBER</b>	<b>31 DECEMBER</b>
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<b>AUD</b>	<b>AUD</b>	<b>AUD</b>	<b>AUD</b>
<b>9) NON-CURRENT ASSETS - INVESTMENT IN SUBSIDIARIES</b>				
Pacrim (PNG) Limited (Formerly Rigg Explorations Ltd)	428	428	-	-
Pacrim US Energy Corporation	1,318	1,318	-	-
	<u>1,746</u>	<u>1,746</u>	<u>-</u>	<u>-</u>

**10) PROPERTY, PLANT & EQUIPMENT**

Plant & equipment	318,846	248,741	318,846	248,741
Less: Accumulated depreciation	<u>(111,441)</u>	<u>(56,075)</u>	<u>(111,441)</u>	<u>(56,075)</u>
	<u>207,405</u>	<u>192,666</u>	<u>207,405</u>	<u>192,666</u>

Reconciliations of the carrying amount of property, plant & equipment at the beginning and end of the year are as follows:

Opening carrying amount	192,666	32,035	192,666	32,035
Additions	70,105	178,594	70,105	178,594
Disposals	-	-	-	-
Depreciation expense	<u>(55,366)</u>	<u>(17,963)</u>	<u>(55,366)</u>	<u>(17,963)</u>
Carrying amount at end of year	<u>207,405</u>	<u>192,666</u>	<u>207,405</u>	<u>192,666</u>





**PACRIM ENERGY LTD**

**NOTES TO THE FINANCIAL ACCOUNTS**

	<b>PARENT</b>		<b>CONSOLIDATED</b>	
	<b>31 DECEMBER</b>	<b>31 DECEMBER</b>	<b>31 DECEMBER</b>	<b>31 DECEMBER</b>
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<b>AUD</b>	<b>AUD</b>	<b>AUD</b>	<b>AUD</b>
<b>11) NON-CURRENT ASSETS - OTHER</b>				
Exploration expenditure brought forward	5,415,349	3,536,225	7,362,613	6,863,907
Exploration expenditure at cost	1,692,016	1,879,124	1,701,758	2,037,086
Sell down of Oil and Gas Interests	(612,236)	-	(612,236)	(1,206,127)
Written off in the financial statements	(1,364,874)	-	(3,837,486)	(52,590)
Adjust for exchange rate movement in US capitalised balances	-	-	515,607	(279,663)
Exploration expenditure carried forward	<u>5,130,256</u>	<u>5,415,349</u>	<u>5,130,256</u>	<u>7,362,613</u>
<b>12) CURRENT LIABILITIES - PAYABLES</b>				
Accrued expenses	24,000	28,000	24,000	28,000
Payables	127,337	587,040	127,337	587,040
	<u>151,337</u>	<u>615,040</u>	<u>151,337</u>	<u>615,040</u>
<b>13) LEASES</b>				
<b>Payable one year or less</b>				
Future minimum lease payments	45,272	54,325	45,272	54,325
Interest component	(2,015)	(6,955)	(2,015)	(6,955)
	<u>43,257</u>	<u>47,370</u>	<u>43,257</u>	<u>47,370</u>
<b>Payable between one and five years</b>				
Future minimum lease payments	-	45,272	-	45,272
Interest component	-	(2,015)	-	(2,015)
	<u>-</u>	<u>43,257</u>	<u>-</u>	<u>43,257</u>



**PACRIM ENERGY LTD**

**NOTES TO THE FINANCIAL ACCOUNTS**

<b>PARENT</b>		<b>CONSOLIDATED</b>	
<b>31 DECEMBER 2008 AUD</b>	<b>31 DECEMBER 2007 AUD</b>	<b>31 DECEMBER 2008 AUD</b>	<b>31 DECEMBER 2007 AUD</b>

**14) NON-CURRENT LIABILITIES - LOANS**

Amounts due to subsidiary	79,201	59,407	-	-
	<u>79,201</u>	<u>59,407</u>	<u>-</u>	<u>-</u>





**PACRIM ENERGY LTD**

**NOTES TO THE FINANCIAL ACCOUNTS**

**PARENT**

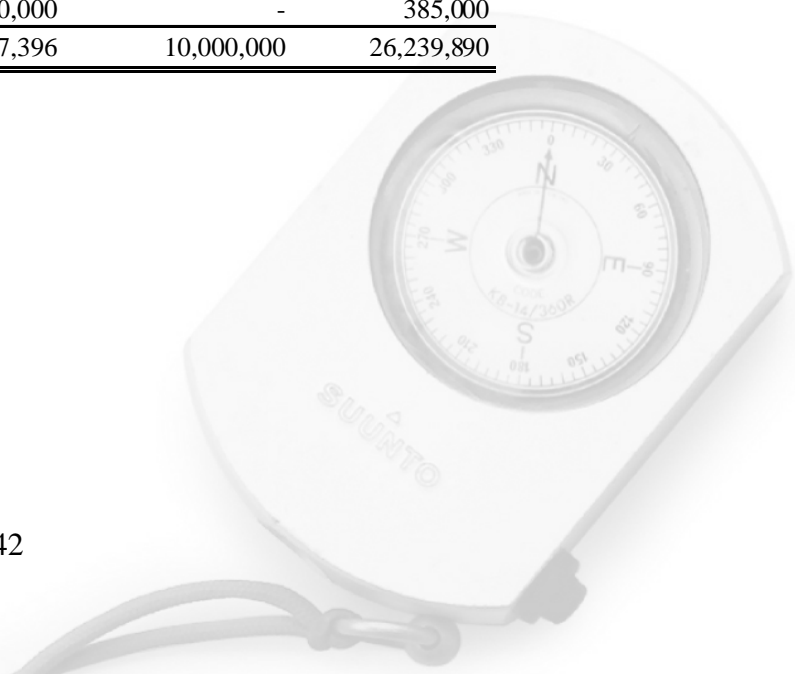
**31 DECEMBER 2008      31 DECEMBER 2007**

**15) CONTRIBUTED EQUITY**

	<b>No of shares</b>	<b>No of shares</b>
Shares on issue:		
Ordinary fully paid	864,287,396	845,037,396
Ordinary partly paid	10,000,000	10,000,000
	<b>874,287,396</b>	<b>855,037,396</b>
Share Capital:	<b>AUD</b>	<b>AUD</b>
Ordinary fully paid	26,819,281	26,434,281
Ordinary partly paid	1,006,426	1,006,426
Less: uncalled capital	(1,000,000)	(1,000,000)
Share Issue Costs	(585,817)	(585,817)
	<b>26,239,890</b>	<b>25,854,890</b>

Movements in the equity of the company in the last two years were as follows:

	<b>Fully paid</b>	<b>Partly Paid</b>	<b>AUD</b>
Balance paid at 1 January 2007	745,037,396	10,000,000	24,350,890
15.02.2007 Capital Raising	100,000,000	-	1,600,000
15.02.2007 Placement Fee Costs	-	-	(96,000)
08.01.2009 Options Exercised	19,250,000	-	385,000
	<b>864,287,396</b>	<b>10,000,000</b>	<b>26,239,890</b>





**PACRIM ENERGY LTD**

**NOTES TO THE FINANCIAL ACCOUNTS**

	<b>PARENT</b>		<b>CONSOLIDATED</b>	
	<b>31 DECEMBER</b>	<b>31 DECEMBER</b>	<b>31 DECEMBER</b>	<b>31 DECEMBER</b>
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<b>AUD</b>	<b>AUD</b>	<b>AUD</b>	<b>AUD</b>
Capital Reserve	1,688,610	1,688,610	1,878,642	1,878,642
Revaluation Reserve	(1,536,334)	(1,536,334)	(1,536,334)	(1,536,334)
Options Reserve	361,000	361,000	361,000	361,000
Foreign Currency Translation Reserve	-	-	138,553	(395,895)
	<u>513,276</u>	<u>513,276</u>	<u>841,861</u>	<u>307,413</u>

**17) EARNINGS PER SHARE**

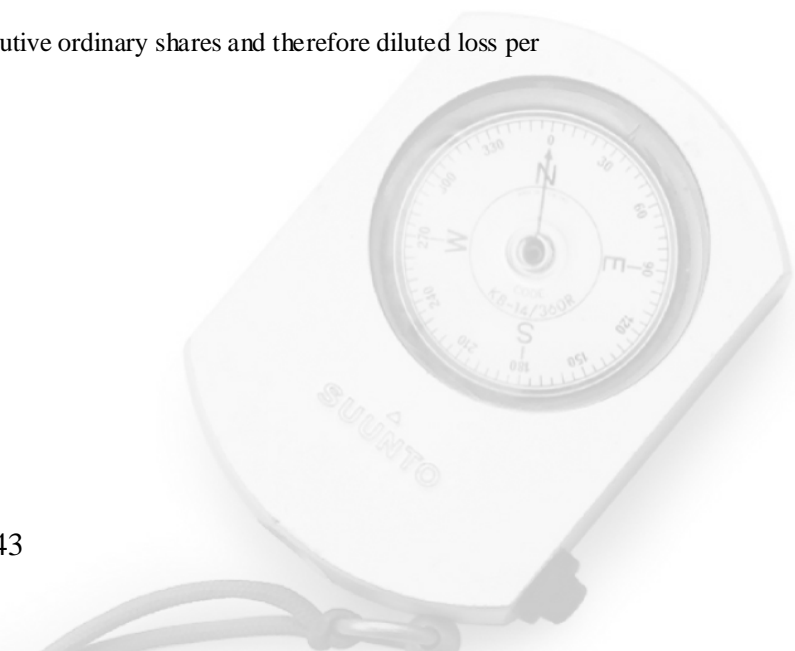
- a) Earnings/(loss) used in the calculation of basic and diluted earnings/(loss) per share reconciles to net loss in the Income Statement as follows:

Net Loss	<u>(3,396,584)</u>	<u>(824,184)</u>	<u>(3,552,439)</u>	<u>(898,585)</u>
Earnings/(loss) used in calculation of basic and diluted EPS	<u>(3,396,584)</u>	<u>(824,184)</u>	<u>(3,552,439)</u>	<u>(898,585)</u>

- b) Weighted average number of ordinary shares outstanding during the year used in the calculation of basic and diluted EPS.

	<u>864,287,396</u>	<u>832,533,666</u>	<u>864,287,396</u>	<u>832,533,666</u>
--	--------------------	--------------------	--------------------	--------------------

There are no options which are considered to be potential dilutive ordinary shares and therefore diluted loss per share is the same as basic loss per share in both years.





**PACRIM ENERGY LTD**

**NOTES TO THE FINANCIAL ACCOUNTS**

**18) SEGMENT REPORTING**

The group's activities relate to the exploration for gold and oil and gas in Australia, Papua New Guinea, New Zealand and the United States of America.

	<b>Operating Revenue AUD</b>	<b>Segment Result AUD</b>	<b>Segment Assets AUD</b>
<b>31 December 2008</b>			
Administration	961,082	(2,036,284)	962,798
Exploration - Papua New Guinea	-	-	571
Exploration - Australia	-	(1,364,874)	5,130,256
Exploration - New Zealand	-	-	-
Exploration - United States of America	-	(2,472,613)	-
Exploration - General	-	-	-
<b>TOTAL</b>	<b>961,082</b>	<b>(5,873,770)</b>	<b>6,093,625</b>

	<b>Operating Revenue AUD</b>	<b>Segment Result AUD</b>	<b>Segment Assets AUD</b>
<b>31 December 2007</b>			
Administration	153,091	(845,995)	1,366,966
Exploration - Papua New Guinea	-	-	509,260
Exploration - Australia	-	-	4,715,769
Exploration - New Zealand	-	-	185,020
Exploration - United States of America	-	(52,590)	1,947,264
Exploration - General	-	-	5,300
<b>TOTAL</b>	<b>153,091</b>	<b>(898,585)</b>	<b>8,729,579</b>





**PACRIM ENERGY LTD**

**NOTES TO THE FINANCIAL ACCOUNTS**

<b>PARENT</b>		<b>CONSOLIDATED</b>	
<b>31 DECEMBER 2008 AUD</b>	<b>31 DECEMBER 2007 AUD</b>	<b>31 DECEMBER 2008 AUD</b>	<b>31 DECEMBER 2007 AUD</b>

**19) COMMITMENTS AND CONTINGENCIES**

**a) Capital Expenditure Commitments**

**Exploration Costs**

Not longer than one year	700,000	500,000	700,000	500,000
Longer than 1 year & not longer than 5 years	2,000,000	2,000,000	2,000,000	2,000,000
	<u>2,700,000</u>	<u>2,500,000</u>	<u>2,700,000</u>	<u>2,500,000</u>

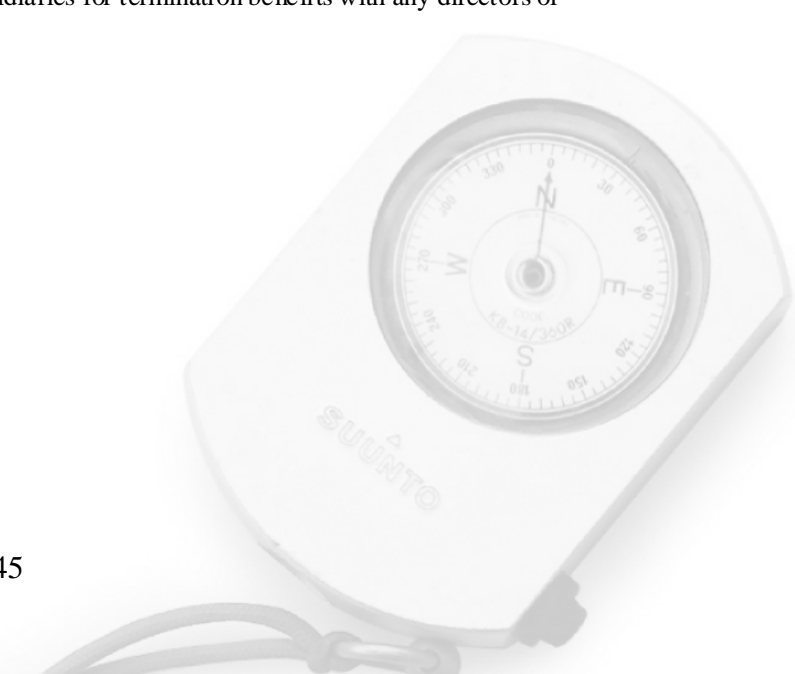
**Lease Costs**

Not longer than 1 year	45,272	54,325	45,272	54,325
Longer than 1 year & not longer than 5 years	(2,015)	45,272	(2,015)	45,272
	<u>43,257</u>	<u>99,597</u>	<u>43,257</u>	<u>99,597</u>

**b) Contingencies**

There are no known contingent liabilities in respect of the exploration areas in which the company has an interest.

There are no contingent liabilities of the company or its subsidiaries for termination benefits with any directors or persons who take part in the management of the company.





## PACRIM ENERGY LTD

### NOTES TO THE FINANCIAL ACCOUNTS

#### OWNERSHIP INTEREST

31 DECEMBER 2008	31 DECEMBER 2007
%	%

#### 20) CONTROLLED ENTITIES

Name of entity	Country of Incorporation		
<b>Parent Entity</b>			
Pacrim Energy Limited	Papua New Guinea		
<b>Controlled Entities</b>			
Pacrim (PNG) Limited	Papua New Guinea	100%	100%
Pacrim US Energy Corporation <sup>1</sup>	United States of America	100%	100%

<sup>1</sup> Not audited by Sinton Spence Chartered Accountants

#### 21) RELATED PARTY DISCLOSURES

##### a) Transactions with related parties in the wholly owned group

The parent entity provided interest free loan funds to its controlled entity, Pacrim US Energy Corporation. Pacrim (PNG) Limited, provided funds to the parent entity which financed activities for the current and previous years. The loan balances were eliminated on consolidation.

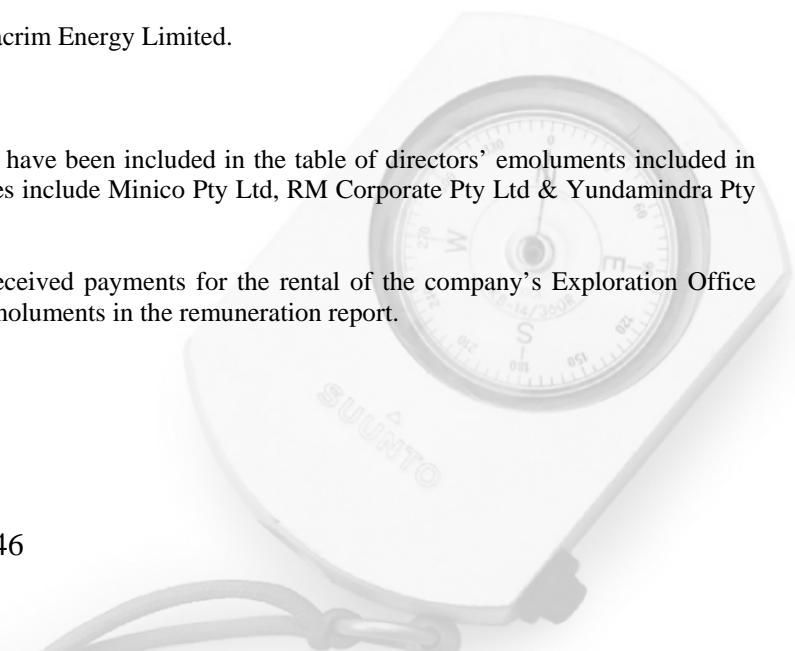
##### b) Controlling Entities

The ultimate parent entity in the wholly-owned group is Pacrim Energy Limited.

##### c) Transactions with other related parties

Fees paid to director related entities for services provided have been included in the table of directors' emoluments included in the remuneration report above. The director related entities include Minico Pty Ltd, RM Corporate Pty Ltd & Yundamindra Pty Ltd.

Minico Pty Ltd, a related entity of Mr Rodney Foster, received payments for the rental of the company's Exploration Office which have been included in the disclosure of directors' emoluments in the remuneration report.





**PACRIM ENERGY LTD**

**NOTES TO THE FINANCIAL ACCOUNTS**

**22) EVENTS OCCURRING SUBSEQUENT TO BALANCE DATE**

No events occurred subsequent to balance date that require disclosure.

**23) NOTES TO THE STATEMENT OF CASHFLOWS**

- a) For the purposes of the statement of cash flows, cash includes cash on hand, in bank accounts and in short-term interest-bearing deposits. Cash on hand at the end of the year is reconciled to the related items in the statement of financial position as follows:

<b>PARENT</b>		<b>CONSOLIDATED</b>	
<b>31 DECEMBER</b>	<b>31 DECEMBER</b>	<b>31 DECEMBER</b>	<b>31 DECEMBER</b>
<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
<b>AUD</b>	<b>AUD</b>	<b>AUD</b>	<b>AUD</b>

**b) Reconciliation of cash**

Operating Bank Accounts	779,079	56,897	779,079	56,897
Cash on short-term deposit	150,000	1,700,000	150,000	1,700,000
	<u>929,079</u>	<u>1,756,897</u>	<u>929,079</u>	<u>1,756,897</u>

**c) Reconciliation of profit/(loss)**

Profit/(loss) from ordinary activities after related income tax	(3,396,584)	(824,184)	(3,552,439)	(898,585)
Depreciation of non-current assets	55,366	17,963	55,366	17,963
Interest on lease finance	6,955	1,609	6,955	1,609
Exploration expenditure written off	1,364,874	-	3,837,486	52,590
Exploration expenses unpaid at year end	(48,692)	(422,804)	(48,692)	(422,804)
Net foreign currency losses	14,460	(4,525)	(4,573)	5,225
Allowance for impairment of loan	2,321,330	-	-	-
Share Based Payment	-	259,000	-	259,000
Net gain on Disposal of Investments	(885,264)	-	(885,264)	-
Changes in net assets and liabilities:				
<b>(Increase)/decrease in assets:</b>				
Current Receivables	98,628	(96,737)	98,628	(96,737)
<b>Increase/(decrease) in liabilities:</b>				
Current Payables	(463,703)	514,517	(463,703)	514,517



## PACRIM ENERGY LTD

# NOTES TO THE FINANCIAL ACCOUNTS

## 24) FINANCIAL INSTRUMENTS

### a) Significant Accounting Policies

Details of the significant accounting policies and methods, adopted, including the criteria for recognition, the basis of measurement and the basis on which revenues and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 2 to the financial statements.

### b) Interest Rate Risk

The company is exposed to interest rate risk through primary financial assets and financial liabilities. The company continually monitors interest rates and financial markets for the company's cash at deposit and regularly reviews cash flow requirements. The table below summarises the interest rate risk for the company, together with the effective weighted average interest rate for each class of financial assets and liabilities

#### Liquidity Risk

The company is exposed to liquidity risk by having to maintain sufficient cash reserves to close out market positions in a timely manner and manages this risk by maintaining sufficient cash reserves and through the continuous monitoring of budgeted and actual cash flows. The company aims at maintaining flexibility in funding by having plans in place to source additional capital as required.

#### Financial Instrument Composition and Maturity Analysis

The tables below reflect the undiscounted contractual settlement for financial instruments of a fixed period of maturity, as well as management's expectations of the settlement period for all other financial instruments. As such the amounts may not reconcile to the balance sheet.



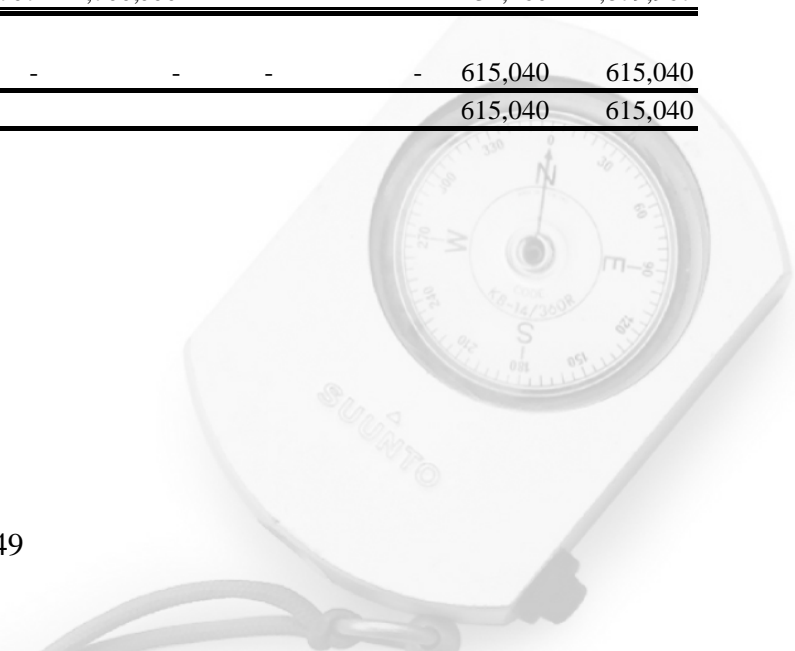


**PACRIM ENERGY LTD**

**NOTES TO THE FINANCIAL ACCOUNTS**

2008	Weighted Average Interest Rate	Variable Interest Rate	<u>Fixed interest rate maturing in:</u>			Non- Interest Bearing	Total
			Less than 1 year	1 to 5 Years	More than 5 years		
<b>Financial Assets</b>							
Cash	3.30%	778,508	-	-	-	571	779,079
Funds on Deposit	n/a	-	-	-	-	-	-
Term Deposits	6.89%	-	150,000	-	-	-	150,000
Current Receivables	n/a	-	-	-	-	24,442	24,442
		<u>778,508</u>	<u>150,000</u>	<u>-</u>	<u>-</u>	<u>25,013</u>	<u>953,521</u>
Accruals & Other creditors	n/a	-	-	-	-	127,337	127,337
Leases	10.04%	-	45,272	-	-	-	45,272
		<u>-</u>	<u>45,272</u>	<u>-</u>	<u>-</u>	<u>127,337</u>	<u>1,126,130</u>

2007	Weighted Average Interest Rate	Variable Interest Rate	<u>Fixed interest rate maturing in:</u>			Non- Interest Bearing	Total
			Less than 1 year	1 to 5 Years	More than 5 years		
<b>Financial Assets</b>							
Cash	4.57%	45,707	-	-	-	11,190	56,897
Funds on Deposit	n/a	-	-	-	-	-	-
Term Deposits	6.39%	-	1,700,000	-	-	-	1,700,000
Current Receivables	n/a	-	-	-	-	123,070	123,070
		<u>45,707</u>	<u>1,700,000</u>	<u>-</u>	<u>-</u>	<u>134,260</u>	<u>1,879,967</u>
Accruals & Other creditors	n/a	-	-	-	-	615,040	615,040
		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>615,040</u>	<u>615,040</u>





## PACRIM ENERGY LTD

### NOTES TO THE FINANCIAL ACCOUNTS

#### c) Credit Risk

Pacrim Energy's main exposure to credit risk arises in its relationship with its exploration operator in the United States of America. At 31 December 2008 the company did not have a balance on deposit with the operator.

#### d) Net Fair Value

The carrying amount of financial assets and financial liabilities recorded in the financial statements approximates their net fair values.

The net fair values of financial assets and financial liabilities are determined as follows:

- The net fair value of the financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices; and
- the net fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow theory.

The consolidated entity has no financial assets where the carrying amount exceeds net fair values at balance date.

#### e) Sensitivity Analysis

The company has performed a sensitivity analysis relating to its exposure to interest rate risk. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in this risk. At 31 December 2008, the effect on profit and equity as a result of changes in interest rate, with all other variables remaining constant would be as follows:

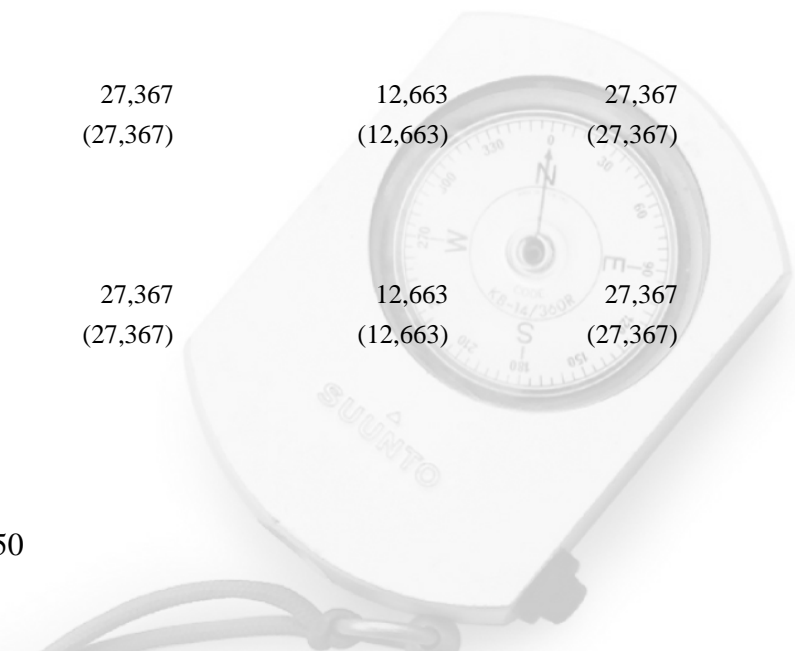
<b>PARENT</b>		<b>CONSOLIDATED</b>	
<b>31 DECEMBER</b>	<b>31 DECEMBER</b>	<b>31 DECEMBER</b>	<b>31 DECEMBER</b>
<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
<b>AUD</b>	<b>AUD</b>	<b>AUD</b>	<b>AUD</b>

#### Change in Interest Rate

Increase in interest rate by 1%	12,663	27,367	12,663	27,367
Decrease in interest rate by 1%	(12,663)	(27,367)	(12,663)	(27,367)

#### Change in Equity

Increase in interest rate by 1%	12,663	27,367	12,663	27,367
Decrease in interest rate by 1%	(12,663)	(27,367)	(12,663)	(27,367)





**PACRIM ENERGY LTD**

**NOTES TO THE FINANCIAL ACCOUNTS**

**25) INTERESTS IN TENEMENTS**

Pacrim Energy Limited currently has interests in the following oil and gas tenements:

<b>Project Area</b>	<b>Location</b>	<b>Pacrim % Interest</b>
U.S. Gas	North Sacramento Basin, California, USA	12.5%

Currently Pacrim Energy Limited's interests in mining tenements are as follows:

<b>Project Area</b>	<b>Location</b>	<b>Pacrim % Interest</b>
Redcliffe West	Leonora, Western Australia	100%
Nambi North	Leonora, Western Australia	100%
Teakari Mertondale	Leonora, Western Australia	100%
Gold Pit	Leonora, Western Australia	100%
Mertondale West	Leonora, Western Australia	100%
Clover Downs	Leonora, Western Australia	100%
Grants Creek	Halls Creek, Western Australia	100% (Metminco Ltd earning up to 70%)
Angelo	Halls Creek, Western Australia	100% (Metminco Ltd earning up to 70%)
Fosterville Regional Joint Venture	Fosterville East, Victoria	100% (Goldfields Australasia Pty Ltd earning 75%)
Manus Island	Manus Island, Papua New Guinea	20%
Blue Dam	Near Kalgoorlie, Western Australia	100%





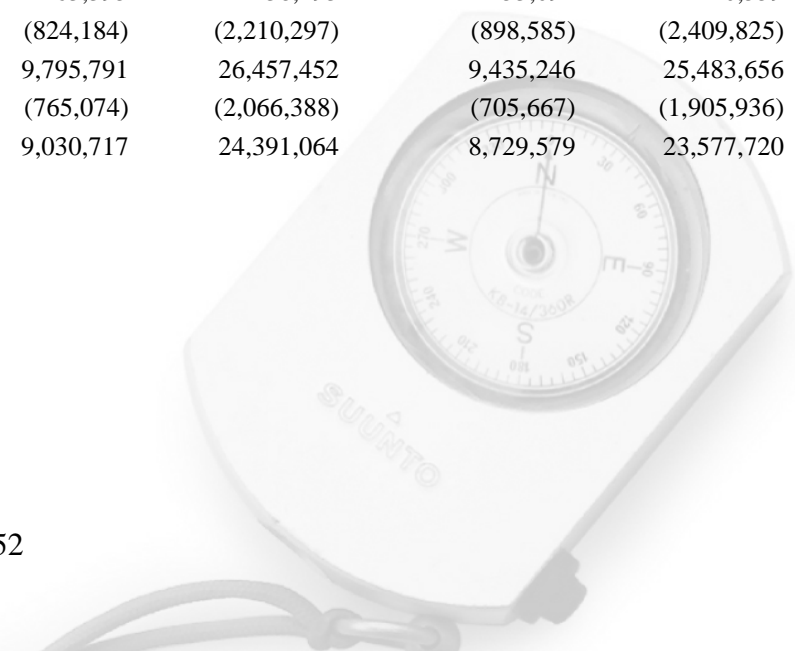
**PACRIM ENERGY LTD**

**NOTES TO THE FINANCIAL ACCOUNTS**

**26) ADDITIONAL INFORMATION FOR REGISTRAR OF COMPANIES IN PAPUA NEW GUINEA**

**Conversion of key financial indicators to Papua New Guinea Kina**

	<b>PARENT</b>		<b>CONSOLIDATED</b>	
	<b>31 DECEMBER</b>	<b>31 DECEMBER</b>	<b>31 DECEMBER</b>	<b>31 DECEMBER</b>
	<b>2008</b>	<b>2008</b>	<b>2008</b>	<b>2008</b>
	<b>AUD</b>	<b>PNGK</b>	<b>AUD</b>	<b>PNGK</b>
<b>a) 2008</b>				
Closing Exchange Rate AUD to PNGK		2.0259		2.0259
Average Exchange Rate AUD to PNGK for year		2.5295		2.5295
Turnover (Total revenue)	961,082	2,431,056	961,082	2,431,056
Net profit/(loss)	(3,396,584)	(8,591,659)	(3,552,439)	(8,985,895)
Total assets	6,292,929	15,917,963	6,291,183	15,913,546
Total liabilities	273,795	692,566	194,594	492,227
Net assets	6,019,133	15,225,397	6,096,588	15,421,320
	<b>PARENT</b>		<b>CONSOLIDATED</b>	
	<b>31 DECEMBER</b>	<b>31 DECEMBER</b>	<b>31 DECEMBER</b>	<b>31 DECEMBER</b>
	<b>2007</b>	<b>2007</b>	<b>2007</b>	<b>2007</b>
	<b>AUD</b>	<b>PNGK</b>	<b>AUD</b>	<b>PNGK</b>
<b>b) 2007</b>				
Closing Exchange Rate AUD to PNGK		2.7009		2.7009
Average Exchange Rate AUDto PNGK for year		2.6818		2.6818
Turnover (Total revenue)	163,395	438,193	153,091	410,559
Net profit/(loss)	(824,184)	(2,210,297)	(898,585)	(2,409,825)
Total assets	9,795,791	26,457,452	9,435,246	25,483,656
Total liabilities	(765,074)	(2,066,388)	(705,667)	(1,905,936)
Net assets	9,030,717	24,391,064	8,729,579	23,577,720





## PACRIM ENERGY LTD

### ADDITIONAL STOCK EXCHANGE INFORMATION

The following information is current as at 24 March 2009

#### Twenty Largest Shareholders

##### Fully paid shares

	No. of Shares Held	% of class
On Site Laboratory Services Pty Ltd	33,000,000	3.82%
Citicorp Nominees Pty Limited	32,540,000	3.76%
Minico Pty Ltd	22,300,000	2.58%
Malanti Pty Ltd	16,312,500	1.89%
Mr John Daniel Powell	15,227,000	1.76%
Dr Somnuk Phonesouk	8,500,000	0.98%
Stoyle Holdings Pty Ltd	7,598,447	0.88%
Currumbin Sand & Gravel Pty Ltd	5,650,000	0.65%
Maldonline Pty Ltd	5,563,499	0.64%
Mr Richard Edward Keevers	5,387,582	0.62%
Mr Kenneth Clements	5,000,000	0.58%
Mr Philip Samuel Turner	4,085,000	0.47%
Ms Yong Mei Tan	3,894,815	0.45%
Landis Corporation Pty Ltd	3,676,772	0.43%
Mr William Richard Savage & Mrs Carolina Maria Savage	3,600,000	0.42%
Calimo Pty Ltd	3,558,260	0.41%
ANZ Nominees Limited	3,367,832	0.39%
Hepburn Investments	3,177,400	0.37%
Mr Rodger Stuart Clarke	3,045,000	0.35%
Mr John Lawrence Caelli	3,000,500	0.35%
Top twenty total:	188,484,607	21.81%
Total issued	864,287,396	

##### Partly paid shares

	No. of Shares Held	% of class
RE Keevers	2,000,000	20.0%
CH Adsett	1,000,000	10.0%
Barker Pacific Pty Ltd	1,000,000	10.0%
KW Doble	1,000,000	10.0%
EF Durkee & Associates Inc	1,000,000	10.0%
R Gannon	1,000,000	10.0%
EF Stoyle	1,000,000	10.0%
Eastern Porphyry Pty Ltd	500,000	5.0%
MJ Gerrard	500,000	5.0%
BB Holloway	500,000	5.0%
JE Nicholas	500,000	5.0%
Top twenty total:	10,000,000	100.0%
Total issued	10,000,000	

#### Substantial shareholders

There are no substantial shareholders.

#### Distribution of shares

Number of shares held	Holders
1 - 1,000	31
1,001 - 5,000	56
5,001 - 10,000	173
10,001 - 100,000	1,713
100,001 and over	1,270
Total	3,343
Less than marketable parcel	1,562





## PACRIM ENERGY LTD

# ADDITIONAL STOCK EXCHANGE INFORMATION

### Listing Rules – Additional Disclosure

1. The following information is provided as required under section 4.10 of the Australian Stock Exchange Listing Rules.
  - (a) The ordinary fully paid shares of the company are listed solely on the Australian Stock Exchange (code “PRE”).
  - (b) There are 864,287,396 ordinary fully paid shares and 10,000,000 ordinary partly paid shares on issue as at the date of this report.
  - (c) The company’s constitution provides that every member present, either in person, by proxy, by corporate representative or by attorney, shall on a show of hands have one vote. On a poll, each member present, either in person, by proxy, by corporate representative or by attorney, shall have one vote for each share the member holds, provided that, if there are partly paid shares on issue, the number of votes for those partly paid shares is determined pro-rata to the amount paid up (not credited), if shares are paid up to different amounts.
  - (d) There is no on-market share buy-back scheme currently in place.
  
2. The company is also required to set out in its annual report the terms and conditions of the partly paid shares on issue.

The partly paid shares on issue have the following rights:

1. On a poll, a shareholder has a proportionate vote in respect of the partly paid shares to the extent to which they are paid up (excluding amounts credited on those shares).
2. Dividends will be paid to shareholders in proportion to the number of shares held by them and the amount paid up on those shares (excluding amounts credited on those shares).
3. On a winding-up, all assets that are to be distributed among shareholders will be distributed in proportion to the number of shares held by them and the amounts paid up or credited as paid up on those shares

Schedule 1 of the constitution of the company provides, among other things, that:

1. The company has no contractual right to require payment of calls in respect of the shares.
2. The holders of the shares are not liable to be sued for any calls or contributions.
3. Where a call is unpaid, the shareholder has no right to vote at shareholder meetings or to dividends.
4. Where a call is made, and remains unpaid at the end of the time specified for payment, the share is forfeited.

The full terms of Schedule 1 of the company’s constitution are set out below.

In this schedule, unless the context otherwise requires:

1. “Act” means the Corporations Act of Australia  
“Partly paid share” means a share issued on the terms set out in this Schedule 1.
2. The holding of a partly paid share does not constitute a contract on the part of the shareholder to pay calls in respect of the share or any contribution to the debts and liabilities of the company (including unpaid capital and unpaid premium).
3. The holder of a partly paid share is not liable to be sued for any calls or contributions.
4. Clauses 5.7, 5.10, 5.11, 5.12, 6.1 to 6.13 inclusive and 7.6 of the constitution do not apply to a partly paid share.
5. A partly paid share is immediately forfeited (“forfeited share”) if:
  - (a) a call is made on the partly paid share; and
  - (b) the call is unpaid at the end of the time specified for payment in clause 5.4 of the constitution.
6. The forfeited share must then be offered for sale by public auction within 6 weeks after the call became payable.
7. The sale by auction must be advertised and conducted (including postponed) in accordance with the provisions of Part 2H.3 of the Law and the Listing Rules.
8. At any sale by auction, a forfeited share may, if the directors so determine, be sold as credited as paid up to the sum of:
  - (a) the amount paid up on the forfeited share at the time of forfeiture
  - (b) the amount of the call; and
  - (c) the amount of any other calls becoming payable on or before the date of the sale.



## **ADDITIONAL STOCK EXCHANGE INFORMATION**

9. The directors may fix a reserve price for the forfeited share that does not exceed the sum of:
  - (a) the amount of the call due and unpaid on the forfeited share at the time of forfeiture; and
  - (b) the amount of any other calls that become payable on or before the date of the sale.
10. If:
  - (a) no bid for the forfeited share is received at the sale; or
  - (b) the forfeited share is withdrawn from sale;the forfeited share must be held by the directors in trust for the company. It must then be disposed of by first being offered to shareholders for a period of fourteen (14) days before being disposed of in any other manner determined by the directors.
11. A forfeited share must not be disposed of to a director or to any person who for the purposes of the Act would be regarded as a person associated with any director except where an offer on the same terms and conditions has been made to shareholders. A director may only take up a forfeited share not taken up by shareholders and only on the same terms and conditions as given to shareholders and within one month of the closing of that offer.
12. The proceeds of the sale under clause 7 of this Schedule must be applied in payment of:
  - (a) first, the expenses of the sale
  - (b) then, any expenses necessarily in respect of the forfeiture
  - (c) then, the calls on the forfeited share that are due and unpaid
13. The balance (if any) must be paid to the holder of the forfeited share that has been sold. If there is a share certificate that relates to the forfeited share, the balance does not have to be paid until the holder of the forfeited share delivers the certificate to the company.
14. The company has at any time a first and paramount lien on each partly paid share for all money payable by the shareholder under clause 7.3 of the constitution to the extent that the company has made a payment in respect of a liability or a requirement referred to in that clause.
15. Where:
  - (a) the company has a lien on a partly paid share
  - (b) the sum in respect of the lien exists is presently payable;
  - (c) the company has given notice to the shareholder registered in respect of the partly paid share:
    - (i) requiring payment of the amount which is presently payable in respect of which the lien exists; and
    - (ii) specifying the date (which is at least 10 business days after the date of the notice) by which and a place at which payment of the amount may be made; and
  - (d) the requirements of the notice given under paragraph (c) are not fulfilled,the company may sell the partly paid share as if it had been forfeited under clause 5 of this schedule, and the provisions of clauses 6 to 12 of this schedule apply as if the partly paid share were a forfeited share.

