WASABI ENERGY LIMITED
AND ITS CONTROLLED ENTITIES

ABN: 24 000 090 997

ANNUAL FINANCIAL REPORT

30 JUNE 2009

CORPORATE DIRECTORY

Directors:	J J Byrne	Executive Chairman
	S Morris	Executive Director
	R J Reynolds	Non-Executive Director
	R Vallender	Non-Executive Director

Company Secretary:
A Davey
P J MacLeod

Registered Office:
Level 9,
175 Collins Street
Melbourne VIC 3000

Principal Place of Business:
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175 Collins Street
Melbourne VIC 3000
Telephone: + 61 3 9663 7132
Facsimile: + 61 3 9650 0082
Web: www.wasabienergy.com

Share Registry:
Computershare Registry Services Pty Limited
Level 2, Reserve Bank Building
45 St Georges Terrace
Perth WA 6000
Telephone: + 61 8 9323 2000
Facsimile: + 61 8 9323 2033

Bankers:
Westpac Banking Corporation Limited
109 St Georges Terrace
Perth WA 6000

Auditors:
KPMG
235 St Georges Terrace
Perth WA 6000

Solicitors:
Steinepreis Paganin
Level 4, Next Building
16 Milligan Street
Perth WA 6000

Stock Exchange
The Company is listed on the Australian Stock Exchange. The Home Exchange is Perth.

Other Information:
Wasabi Energy Limited, incorporated and domiciled in Australia, is a publicly listed company limited by shares.
ASX code: WAS

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CHAIRMAN'S REPORT

It takes years of planning to develop successful companies, particularly those investing in new frontiers.

I am pleased to report that Wasabi is now well placed to participate in what your directors expect to be major changes in energy markets, locally and globally, over the next few years. We expect these changes to be driven by concerns about carbon emissions and their effect on global warming of the atmosphere.

Wasabi has taken strategic positions in a number of innovative energy projects and companies that will realise their full potential as governments impose measures to limit carbon emissions and to increase the use of cleaner and renewable fuel sources for power generation and transport.

The most advanced of these projects is the Kalina Power Cycle. Wasabi has worked on and invested heavily in the Kalina Cycle for many years and it is now on the verge of commercialization.

Wasabi has increased its ownership in Global Geothermal, the company which holds the intellectual property rights to the Kalina Cycle, to 95% and now has the incentive to ensure the process is made widely available.

The Kalina cycle can deliver up to a 50% improvement in power generating efficiency over traditional methods and is particularly well suited to generating power from industrial process heat, and from geothermal sources.

One new plant utilizing the Kalina Cycle was commissioned during the year in Germany bringing the number of such plants to four in Japan, Germany and Iceland. Three of the plants utilize process heat and the fourth relies on a geothermal heat source.

The major development recently has been Global's licensing agreement with Shanghai Shenge New Energy Resources Science and Technology (SSNE) of China. Under the agreement, Global has been paid a licensing fee and will receive royalties based on the power generating capacity that SSNE installs in the future.

We expect this to lead to multiple applications of the Kalina Cycle in China, furthering its global acceptance as the preferred process for generating electricity from industrial waste heat.

We also expect global demand for the Kalina Cycle to increase as the cost of emitting carbon is priced into processing costs as governments introduce new regimes to govern power generation and its uses.

Wasabi has taken a broad view of the way energy markets might develop in the future and has thus taken positions in waste heat producers, geothermal power and uranium exploration companies as well as a strategic 23% stake in Australian Renewable Fuels, a company that owns two refineries in Australia with an installed annual production capacity of 90 million litres of biodiesel. With this investment we are acquiring a complete understanding of this important and growing area of the renewable fuel market.

The other project in which Wasabi has invested is a water company, AquaGuardian Group (AGG). AGG's first product is AquaArmour, a plastic module developed and designed to greatly reduce water losses caused by sun and wind evaporation. It is suitable for deployment on large water storage reservoirs and dams and is in the early stages of commercialisation.

The importance of water conservation has been emphasized by the continuing drought in south eastern Australia and earlier problems in the north when city and town water storages proved inadequate to supply normal urban demands. It is expected the water market will also undergo considerable change in the years ahead.

AquaArmour has application in other countries as well and AGG is engaged in discussions with plastics manufacturers and distributors to license AquaArmour outside of Australia.

Wasabi's investments and projects are outlined in more detail in the Directors' Report. I recommend that you read it.

John Byrne

Executive Chairman

DIRECTORS REPORT

The directors present their report together with the financial report of Wasabi Energy Limited ("the Company" or "Wasabi") and of the Group, being the Company, its subsidiaries and the Group's interest in associates and jointly controlled entities for the financial year ended 30 June 2009 and the auditor's report thereon.

Directors

The directors of the Company at any time during or since the end of the financial year are:

Name	Age	Experience and Special Responsibilities
John Byrne Executive Chairman	60	John Byrne has over 30 years' experience in the natural resources industry as an investor and resource business developer. Mr Byrne is also Non-Executive Chairman of Coal International Plc and is Non-Executive Chairman of Western Canadian Coal Corp. Mr Byrne holds directorships with a number of other public and private companies. Appointed 8 May 2009.
Timothy Wise Managing Director	44	B.Sc. Mr Wise has been the executive responsible for the day to day management of the Company for 9 years. Mr Wise holds a bachelor of science degree from the University of Western Australia. He has owned and operated many companies over the last 19 years. Mr Wise has extensive experience in public company management with roles as both an executive and non-executive director over the last 9 years. Appointed 4 January 2000. Resigned 9 September 2009. Mr Wise is also a non-executive director of Transerv Australia Limited joining that company in August 2006.
Stephen Morris Executive Director	44	Mr Morris has more than 20 years experience in international investment and management in a range of industries including telecommunications, marketing, manufacture and venture capital. He has been an early investor and advisor to a number of companies, including Medeva Plc, Skyepharma Plc, Eidos Plc, Britannic Timber, Simpsons of Cornhill Plc, Regina Health and Beauty Plc and Australia Platinum (prior to the formation of Fifth Avenue Capital Inc.). More recently, Mr Morris has been a founder and acted as Chief Executive of Fifth Avenue Capital Inc (a venture capital company) and a founder and director of FAC Smaller Strategic Opportunities Inc. as an early stage resource investor. Appointed 13 November 2006 Mr Morris is also a non-executive director of Global Geothermal Limited
Robert Reynolds Independent Non-Executive Director	54	Mr Reynolds (Master Eng.(Mining)) is a mining engineer with more than 30 years experience in Australia and overseas in coal marketing as well as coal mining management and engineering. Mr Reynolds is a consultant providing marketing advice and services to a number of national and international coal producers. Mr Reynolds past experience was with Southland Coal, Oceanic Coal and BHP. Appointed 10 August 2005

DIRECTORS REPORT (CONTINUED)

Directors (continued)

Robert Vallender Independent Non-Executive Director	65	Mr Vallender B Comm. has over 30 years of management and new technology product development experience in Australia and North America. Mr Vallender is a consultant providing independent marketing and capital project sales advice to the Australian and European iron and steel and primary metals industries. He has dealt with major manufacturers and producers including Alcoa, U.S. Steel, and General Motors. Appointed 10 August 2005.

Company secretary

Mr Phillip MacLeod was appointed to the position of joint company secretary in December 2004. Mr MacLeod has over 20 years commercial experience and has previously held the position of company secretary with other listed public companies since 1995.

Mr Alwyn Davey was appointed to the position of joint Company Secretary in July 2009. Mr Davey has experience in cross border mergers, acquisitions and investments as well as formally being a member of the Executive committee of Cambrian Mining Plc, a diversified mining group. He acts as non-executive director for Energybuild Group Plc, a UK listed coal company and has been company secretary of a number of UK listed companies which were predominately part of the Cambrian Mining Plc group. Mr Davey holds an LLB degree from Waikato University, NZ.

Directors' Meetings

The number of directors' meetings held and number of meetings attended by each of the directors of the Company during the financial year are:

	Meetings	
Name	Held	Attended
John Byrne	-	-
Timothy Wise	4	4
Stephen Morris	4	4
Robert Reynolds	4	2
Robert Vallender	4	4

In July 2009 the Company formed an audit committee comprising John Byrne and Bob Reynolds. The Company does not have any other committees. Matters usually considered by a remuneration or nomination committee were dealt with by the directors during regular Board meetings.

DIRECTORS REPORT (CONTINUED)

Principal activities

The principal activities of the Group during the course of the financial year were investing in energy and resource based ventures including:

- Managing a controlled entity, Global Geothermal Limited, incorporated in the United Kingdom
- Holding a 37% investment in an unlisted public Australian company, Aqua Guardian Group
- Holding a 23% investment in the share capital of a listed Australian company, Australian Renewable Fuels Limited (ASX: ARW)
- Holding a 35% investment in the share capital of a listed Australian company, Rum Jungle Uranium Limited (ASX: RUM)
- Evaluation of the Lilyburt Coal Project in British Columbia, Canada, in joint venture with Western Canadian Coal Corp
- Holding an 8% investment in a listed company, Aviva Corporation Limited (ASX: AVA). Aviva is a West Australian company with a growing portfolio of energy assets
- Holding an investment in the share capital of Lysander Minerals Corporation, a company listed on the Venture Exchange of the Toronto Stock Exchange (TSX)
- Participating in a joint venture with Danieli Corus, to further advance a research project in the production of char utilising an environmentally benign pyrolysis process
- Investment in a joint venture, Evolution Energy, to evaluate opportunities in the ethanol and bio diesel industry
- Assessing new business opportunities

There were no other significant changes in the nature of the activities of the Group during the year.

Review and results of operations

The net loss after income tax attributable to members of the Group for the year ended 30 June 2009 was $13,058,961 (2008: net profit $511,426). This equates to a basic loss per share of 1.59 cents (2008: basic earnings per share of 0.06 cents).

Investments

Global Geothermal Limited

Strategically, the most important move has been to increase Wasabi's stake in Global Geothermal Limited to 96% subsequent to the reporting period. Global Geothermal holds the intellectual property rights associated with the Kalina power cycle which has been under development for a number of years.

The Kalina cycle is now gaining acceptance globally as the most efficient process to convert low grade heat into electricity. The Kalina Cycle can deliver up to a 50% improvement in power generating efficiency over the traditional or organic. This makes the Kalina Cycle ideal for utilising heat generated from industrial processes, such as steel or cement making, to produce electricity to supplement the otherwise purchased power requirements of the manufacturing facilities.

An important aspect of the Kalina Cycle, because of its efficiency in producing electricity from low temperature heat sources, is that it is ideally suited for bottoming cycles, ie. additional electricity generated from exhaust gases, flash geothermal plants etc.

Global Geothermal's licensing agreement with leading European power company, Siemens AG, has resulted in the construction of two power stations so far. The Unterhagen plant in Germany has a generating capacity of 3.4MW and powers the town as well as provides fluid for the districts heating system. The Husavikur plant in Iceland utilises geothermal heat to produce 2,000 kW of electricity for the local township.

Sumitomo Metal Industries has been utilizing the Kalina Cycle at its steel works since 1999 to produce 3.5Mw of electricity. A second plant operates at Fuji Oils Tokyo Bay refinery.

DIRECTORS REPORT (CONTINUED)

Review and results of operations (continued)

Global Geothermal Limited (continued)

In the past year, agreement was reached with Shanghai Shenge New Energy Resources Science and Technology (SSNE) of China to issue them with a licence to use the Kalina Cycle. This is viewed as a major step forward for Wasabi, one that could lead to multiple applications of the Kalina Cycle and further its global acceptance as the preferred process in utilizing industrial waste heat to generate electricity.

SSNE, along with Global Geothermal and it's wholly-owned subsidiary Recurrent Engineering, have already designed and built a 50Kw demonstration plant to be installed in south western Tibet utilizing geothermal power in an area where there is no other source of power.

SSNE paid an initial US$1million of a licensing fee of $2 million and will pay a continuing royalty per KWh of installed capacity of new plants utilizing the Kalina Cycle.

Global Geothermal's intellectual property rights to the Kalina Cycle are supported by a strong, experienced engineering division, Recurrent Engineering Llc (Recurrent). Recurrent are based in Houston and San Francisco in the US and comprises highly-qualified engineers and technologists who have assisted in the development of the Kalina Cycle. The project team designs the optimum plant and process configuration dependent upon the heat of the energy source and local temperatures.

Aqua Guardian Group Limited

At 30 June 2009 Wasabi has invested $1.65 million representing a 37% interest in the share capital of Aqua Guardian in anticipation that the company will make an initial public offering of shares to fund the development of its water technology business. Funding of the company has continued even though market conditions have delayed the IPO. Aqua Guardian's first product is designed to minimize the effect of sun and wind evaporation losses on large water storages servicing cities, towns, agri-business and mining projects.

It has developed a module made of thin, light weight, food grade plastic that, when placed on water surfaces, semi-submerges by taking in a ballast of water from the reservoirs. This provides sufficient weight for the modules to resist wind and wave action whilst, at the same time, minimizing water evaporation.

The product, called AquaArmour, has attracted considerable interest from water authorities and mining companies. It appears superior to other anti-evaporation products on the market and the only one that can be used in large scale applications. It has particular application in Australia where, in some cases, water evaporation can exceed actual water consumption but also has application in other countries.

In light of the delay in the IPO process, AquaGuardian has initiated negotiations with major Asian and US plastics manufacturers and distributors about licensing and manufacturing agreements.

Lilyburt Coal

Wasabi continues its joint venture with Western Canadian Coal Corp to explore the Lilyburt coal property south east of Vancouver, Canada. The property is sandwiched between two existing high ash, coking coal mines. Exploration and development of the deposit depend upon an upturn in the coal market.

DIRECTORS REPORT (CONTINUED)

Review and results of operations (continued)

Aviva Corporation Limited
Wasabi own 10.1 million shares representing 8% of Aviva's share capital.

Aviva has steaming coal deposits in the Geraldton area of WA and is advanced on plans to establish a base load power station to what is potentially a high growth region of WA, the Mid West, where a number of iron projects are envisaged. The projects involve both hematite and magnetite iron ore and have attracted large investments from China. While the high-grade hematite is direct shipping ore, the magnetite will require upgrading or pelletising in processes that will require large amounts of energy.

The Mid West region of WA, centred on Geraldton, is at the point where transmission losses from the southern power stations' transmissions become inefficient in the delivery of electricity. There are few sources of power, other than Aviva's coal deposits, to support plans for the development of the Mid West.

Aviva has entered a joint development agreement with a global power company, AES Corp of the US to build a power station and with the local oil and gas company, AWE, and the technology company, C2O CRC, to sequestrate the carbon emissions in depleted gas reservoirs.

As well as its WA assets and strategic alliances, Aviva controls large coal deposits in Botswana, close to the South African power grid. South Africa has been forced in recent years to curtail industrial production because of a shortage of power generating capability.

Rum Jungle Uranium Limited
Wasabi holds 44 million shares in Rum Jungle representing 35% of the capital. The Wasabi directors view uranium as a clean source of energy in view of the general concern about carbon emissions and their effect on world climate.

The investment in Rum Jungle is a speculative one but should be viewed against the company's strategic lease holdings in the Northern Territory and the expertise and experience of its management.

Rum Jungle's lease holdings are situated on the Woolner Dome, the third Archean aged granite structure in the Territory with geology similar to those that host the Ranger and Rum Jungle uranium deposits in the Pine Creek area where recent exploration by other companies has led to the discovery of high grade uranium mineralization and in the Alice Springs area near known uranium deposits.

The company has advanced exploration on the leases and will be involved in an active program for the remainder of 2009.

Greenearth Energy Limited
At 30 June 2009 Wasabi holds 8.1 million shares representing 16% of the share capital of Greenearth Energy, a company that has secured leases over geothermal energy prospects covering an area of about 19,000 square kilometres in the Bass and Otway Basins of Victoria, many in close proximity to Victoria's existing power generating and transmission facilities.

The most advanced of Greenearth's prospects is in the industrialized Geelong area of Victoria. The company has identified a major geothermal hot water basin and has used independent experts, Sinclair Knight Merz (SKM), to estimate the basin's energy generation potential.

SKM has estimated the potential of the basin to contain enough hot water to power a base load electricity station with a potential resource of 17,000PJ of energy. Drilling is planned to commence by mid 2010 of one production well and one injection well. Wasabi's support of Greenearth, and its ownership of the Kalina Cycle, should enable it to figure in any future development of the basin.

DIRECTORS REPORT (CONTINUED)

Review and results of operations (continued)

Australian Renewable Fuels Limited

At 30 June 2009 Wasabi held 47 million shares in Australian Renewable Fuels Limited (ARF). Subsequent to the reporting date Wasabi participated in the refinancing of ARF. Wasabi now owns 130 million shares representing approximately 23% of the issued share capital of ARF.

ARF has two biodiesel plants, one at Picton, Western Australia, near Perth and other at Largs Bay, South Australia, near Adelaide. Each of the plants has a capacity to produce 44.5 million litres of biodiesel from tallow or oilseed annually. The plants have involved a significant investment and are currently underutilised.

The plants are capable of producing biodiesel fuel either from tallow or vegetable oils and utilize the Austrian-developed Energea process over which ARF has exclusive rights in Australia. ARF is funding research into the development of a suitable oilseed crop as a source of feedstock for the plants to supplement existing tallow supply arrangements.

With increasing emphasis by the Australian government on renewable energy supplies, the company expects that demand for biofuel will increase to the level needed to justify a biodiesel industry. In the meantime, ARF is assessing various options to build a market to enable the two plants to operate at optimum capacity.

Other marketable investments

Wasabi retains an interest in AIM listed Xtract Energy Plc (XTR) and in Lysander Minerals Corporation (LYM) which is listed on the Venture Exchange of the Toronto Stock Exchange.

The following table details the current market value of Wasabi's investments in marketable securities shown in Australian dollars as at 25 September 2009:

Company	Number of shares (i)	Market value (ii) AUD$
Australia		
Aviva Corporation Limited	10,100,000	1,262,500
Rum Jungle Uranium Limited (iii)	44,000,000	4,268,000
Greenearth Energy Limited (iv)	7,853,335	1,138,733
Australian Renewable Fuels Limited	130,023,053	1,547,274
United Kingdom		
Xtract Energy Plc	1,500,000	103,850
Canada		
Lysander Minerals Corporation	1,500,000	635,473
Total		**8,955,830**

(i) based on shares held on 25 September 2009

(ii) based on closing prices on 25 September 2009

(iii) escrowed until 14 November 2009

(iv) 4,166,667 shares escrowed until 4 February 2010

DIRECTORS REPORT (CONTINUED)

Review and results of operations (continued)

Corporate

During the year the Company received $3.225 million through the issue of Convertible notes with a term of 12 months and an interest rate of 10% per annum. There was a repayment during the year of $1.15 million in exchange for the transfer to Note holders of 35 million shares in Xtract Energy Plc. On 2 July 2009 the outstanding Convertible Notes were repaid following completion of a non-renounceable entitlement issue which raised the sum of $4.59 million before issue costs. The issue comprised one preference share for every two ordinary shares at an issue price of 1 cent per preference share and convertible into one ordinary share together with one free attaching option on the basis of one option for every preference share converted.

Liquidity and funding

The consolidated cash flow statement illustrates that there was an increase in cash and cash equivalents in the year ended 30 June 2009 of $108,216 (2008: decrease of $2,129,261). The increase in cash and cash equivalents in comparison with the prior year is as a result of a number of factors including the raising of $1,125,000 in share capital through a share placement and the exercise of options, the issue of $3,225,000 in Convertible notes, a reduction in the amount invested in available-for-sale assets and an increase of over $1million in revenue during the year.

Cash flow from operations for the year resulted in a cash outflow of $1,164,976 (2008: cash outflow of $2,616,330).

Dividends

There have been no dividends paid or declared by the Company since the end of the previous financial year.

State of Affairs

There were no other significant changes in the state of affairs of the Company during the year ended 30 June 2009.

Events subsequent to reporting date

Subsequent to 30 June 2009 the Company executed an agreement to acquire 394,999 ordinary shares in Global Geothermal Limited to increase its stake in the company from 75% to 96% at a cost of US$2,000,000. The transaction included payment of a deposit of US$100,000 paid on 15 May 2009 followed by a payment of US$900,000 made on 31 July 2009 and a $1,000,000 5% Loan note payable on 1 January 2014 secured on the shares being acquired and held in escrow until such time as the loan note is repaid.

In July 2009 the Company raised $4.59m before issue costs from the non-renounceable entitlement issue of convertible preference shares. The preference shares convert into one ordinary share and one option to subscribe for an ordinary share for each preference share. The issue is expected to provide funding for the Company over the next year while some of its projects progress to fruition.

In July 2009 the balance of convertible notes being $2.35m was repaid in full through a combination of cash of $973,000 and the balance through the take up of shares in the non-renounceable rights issue.

Likely developments

The Group will continue to develop its investments in the energy sector principally through its controlled entity, Global Geothermal Limited and its associate, Australian Renewable Fuels Limited.

DIRECTORS REPORT (CONTINUED)

Review and results of operations (continued)

Directors' Interests

The relevant interest of each director in the shares or options over shares issued by the companies within the Group and other related bodies corporate, as notified by the directors to the Australian Securities Exchange in accordance with S205G(1) of the Corporations Act 2001, at the reporting date is as follows:

	Ordinary shares	Options over ordinary shares (unlisted)
J Byrne	22,066,667	-
S Morris	7,500,000	10,000,000
R Reynolds	600,000	10,000,000
R Vallender	-	10,000,000

Tim Wise resigned as director on 9 September 2009. At the date of his resignation he was the holder of 5,055,338 shares and 2,527,669 options.

Share options

Options granted to directors and officers of the Company

During or since the end of the financial year, no options were granted to directors or officers by the Group.

Unissued shares under options

At the date of this report unissued ordinary shares of the Company under option are:

Expiry date	Exercise price (cents)	Number of shares
29 November 2009	3.0	10,000,000
29 November 2009	3.5	10,000,000
30 November 2009	3.5	10,000,000
30 November 2009	3.0	10,000,000

Tim Wise, who resigned as a director on 9 September 2009, is the holder of 10,000,000 options, 5,000,000 options exercisable at 3.0 cents and 5,000,000 exercisable at 3.5 cents expiring 29 November 2009.

Shares issued on exercise of options

During the financial year, the Company issued 37,500,000 free attaching options with 75,000,000 ordinary shares issued as part of a share placement. The options were converted into shares during the year at an exercise price of 1 cent per share.

DIRECTORS REPORT (CONTINUED)

Remuneration Report - audited

Principals of compensation - audited

Remuneration is referred to as compensation throughout this report. Key management personnel have authority and responsibility for planning, directing and controlling the activities of the Company and the Group, including directors of the Company and other executives. Key management personnel comprise the directors of the Company and executives for the Company and the Group.

Compensation levels for key management personnel and other staff of the Group are competitively set to attract and retain appropriately qualified and experienced personnel. Compensation is reviewed when considered appropriate by the Board.

All non-executive directors receive a fixed directors' fee. The aggregate amount of directors' fees payable by the Company must be presented for approval to the shareholders in general meeting.

The Company has, with shareholder approval, granted options to directors in order to create a cost effective incentive for these directors continued services and to build shareholder value.

The Executive Directors are employed on normal commercial terms by the Company. Currently the cash component of remuneration is not dependent on the satisfaction of any performance condition. Executive directors are renumerated at a base salary of $140,000 plus superannuation where applicable and share options. The termination period is one month. Non-executive directors receive a remuneration of $25,000 per annum plus superannuation. In addition Stephen Morris is an executive director of Wasabi Energy and a non-executive director of Global Geothermal Limited for which he receives US$120,000 per annum.

Consequences of performance on shareholder wealth

In considering the Group's performance and benefits for shareholder wealth, the Board have access to the following indices in respect of the current financial year and the previous three financial years. The tables below set out summary information about the Group's earnings and movements in shareholder wealth for the four years to 30 June 2009:

	30June 2009	30 June 2008	30 June 2007	30 June 2006
Net profit/(loss) attributable to equity holders of the parent ($)	(13,058,961)	511,426	(3,338,642)	(535,470)
Change in share price (cents)	(1.10)	(1.30)	1.10	0.60
Dividends paid (cents)	-	-	-	-

The above indices are considered by the Board together with the Company's investment strategies, in determining key management personnel compensation.

DIRECTORS REPORT (CONTINUED)

Remuneration Report – audited (continued)

Directors' and executive officers' remuneration (Company and Consolidated) - audited

Details of the nature and amount of each major element of the remuneration of each director of the Company and each of the relevant Group executives who receive the highest remuneration are:

		Short-term		Post employment	Share-based payments			
		Salary & fees $	Other short term benefits $	Super annuation benefits $	Options $	Total $	Proportion of remuneration performance related %	Value of options as proportion of remuneration %
Directors								
Non-executive directors								
R Reynolds	2009	25,000	-	2,250	-	27,250	-	-
	2008	25,000	-	2,250	-	27,250	-	-
R Vallender	2009	25,000	-	2,250	-	27,250	-	-
	2008	25,000	-	2,250	-	27,250	-	-
Executive directors								
J Byrne	2009	-	-	-	-	-	-	-
(appointed 8 May 2009)								
S Morris	2009	319,158	-	-	-	319,158	-	-
	2008	207,676	-	-	249,196	456,872	-	54.54
T Wise	2009	140,000	-	12,600	-	152,600	-	-
(resigned 9 Sept 2009)	2008	128,333	-	11,550	221,410	361,293	-	61.28
Executives								
B Levy	2009	163,248	-	-	-	163,248	-	-
	2008	89,656	-	-	13,893	103,549	-	13.41
P MacLeod	2009	25,000	-	-	-	25,000	-	-
	2008	30,000	-	-	-	30,000	-	-

Equity instruments – audited

All options refer to options over ordinary shares of either Wasabi Energy Limited or Global Geothermal Limited, which are exercisable on a one for one basis.

Options and rights over equity instruments granted as compensation - audited

There were no options over ordinary shares in the Company granted as compensation to each key management person and there were no options that vested during the reporting period.

DIRECTORS REPORT (CONTINUED)
Remuneration Report – audited (continued)

Analysis of movement in options - audited

There was no movement in options granted, options exercised and options lapsed during the year.

(A) The value of options granted in the year is the fair value of the options calculated at grant date using a Black-Scholes pricing model. The total value of the options granted is included in the table above. This amount is allocated to remuneration over the vesting period ie. immediately.

Analysis of options and rights over equity instruments granted as compensation - audited

There were no options granted as remuneration to any key management person of the Group or of the named Company during the year. No options vested during the year.

S 300 A (1AAA) states that key management personnel under the Corporations Act 2001 has the same meaning as under the accounting standard.

Audit Committee

During the year audit matters were dealt with by the full board. In July 2009 the Company formed an audit committee comprising John Byrne and Bob Reynolds.

Non-Audit Services

During the year KPMG, the Company's auditor, has performed other services other than their statutory duties as auditor to the Company. Their services have been approved by the Directors and are set out below:

	Consolidated	
	2009	2008
	$	$
KPMG (UK):		
Tax compliance	7,051	-
Advisory services	-	31,389
	7,051	31,389

Indemnification and insurance of officers and auditors

The Company has agreed to indemnify the directors of the Company against all liabilities to another person that may arise from their position as directors of the Company, except where the liability arises out of conduct involving lack of good faith. The Company will meet the full amount of any such liabilities, including costs and expenses.

The Company has not provided any insurance or indemnification for the Auditors of the Company.

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

The lead auditor's independence declaration is set on page 50 and forms part of the directors' report for the financial year ended 30 June 2009.

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

John Byrne
Executive Chairman

Dated at Perth 1st October 2009

INCOME STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

	Note	Consolidated		Company	
		2009	2008	2009	2008
		$	$	$	$
Other income	4	3,446,680	5,184,053	210,585	2,451,333
Cost of sales		(506,680)	-	-	-
Depreciation	6	(1,387)	(5,212)	(705)	(863)
Employee and directors costs		(1,433,053)	(1,407,755)	(347,252)	(766,407)
Legal and professional fees		(740,493)	(397,834)	(97,969)	(182,595)
Research and development	6	-	(342,816)	-	(342,816)
Other costs		(1,030,085)	(1,269,599)	(426,557)	(332,413)
Loss on dilution of investments		(122,333)			
Impairment of notes	6	-	(140,000)	-	(140,000)
Profit/(loss) from operating activities		(387,351)	1,620,837	(661,898)	686,239
Fair value gain/(loss) on options		(187,277)	581,000	(187,277)	581,000
Financial income		16,447	58,209	10,315	55,968
Financial expenses		(302,453)	(19,021)	(302,453)	(19,021)
Foreign exchange gain/(loss)		(13,185)	(12,022)	(7,021)	2,437
Impairment of investment		(15,174,495)	(1,636,533)	(11,340,692)	(3,874,536)
Change in fair value of associate		1,575,280	-	-	
Net financing expense	5	(14,085,683)	(1,028,367)	(11,827,128)	(3,254,152)
Share of loss from equity accounted investees	15	(299,547)	(272,201)	-	-
Profit/(loss) before income tax		(14,772,581)	320,269	(12,489,026)	(2,567,913)
Income tax credit/(expense)	9	1,661,901	(872,136)	85,605	704,160
Loss for the period		(13,110,680)	(551,867)	(12,403,421)	(1,863,753)
Profit/(loss) for the period attributable to equity holders of the Company		(13,058,961)	511,426	(12,403,421)	(1,863,753)
Minority interest		(51,719)	(1,063,293)	-	-
Loss for the period		(13,110,680)	(551,867)	(12,403,421)	(1,863,753)
Loss per share for loss attributable to the ordinary equity holders of the Company					
Basic and diluted earnings/(loss) per share	10	(1.59) cents	0.06 cents		

The notes on pages 20 to 46 are an integral part of these consolidated financial statements.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2009

CONSOLIDATED	Issued capital $	Accumulated losses $	Reserves $	Total $	Minority interest $	Total $
At 1 July 2008	28,081,038	(12,434,847)	3,523,232	19,169,423	136,557	19,305,980
Foreign exchange translation	-	-	106,637	106,637	156,611	263,248
Change in fair value of available-for-sale financial assets	-	-	(1,285,796)	(1,285,796)	-	(1,285,796)
Associate investment transactions through equity	-	-	-	-	-	-
Total income and expense for the period directly recognised in equity	-	-	(1,285,796)	(1,285,796)	-	(1,285,796)
Profit/(loss) for the period	-	(13,058,961)	-	(13,058,961)	(51,719)	(13,110,680)
Total income/expense for the period	-	(13,058,961)	-	(13,058,961)	(51,719)	(13,110,680)
Exercise of options	375,000	-	-	375,000	-	375,000
Placement of shares	750,000	-	-	750,000	-	750,000
Issue of shares in subsidiary	-	-	-	-	190,893	190,893
Less issue costs	(1,818)	-	-	(1,818)	-	(1,818)
At 30 June 2009	29,204,220	(25,493,808)	2,344,073	6,054,485	432,342	6,486,827
At 1 July 2007	15,924,524	(12,946,273)	427,561	3,405,812	393,499	3,799,311
Foreign exchange translation	-	-	27,526	27,526	9,175	36,701
Change in fair value of available-for-sale financial assets	-	-	1,595,041	1,595,041	-	1,595,041
Associate investment transactions through equity	-	-	988,605	988,605	-	988,605
Total income and expense for the period directly recognised in equity	-	-	2,611,172	2,611,172	9,175	2,620,347
Profit/(loss) for the period		511,426	-	511,426	(1,063,293)	(551,867)
Total income/expense for the period	-	511,426	-	511,426	(1,063,293)	(551,867)
Share issued to minority interest	-	-	-	-	783,283	783,283
Exercise of options	1,125,000	-	-	1,125,000	-	1,125,000
Issue of Global Geothermal options	-	-	41,679	41,679	13,893	55,572
Issue of options to Wasabi directors	-	-	442,820	442,820	-	442,820
Placement of shares	822,515	-	-	822,515	-	822,515
Shares/options issued as consideration for acquisition of investment	9,770,311	-	438,688	10,208,999	-	10,208,999
Exercise of options	438,688	-	(438,688)	-	-	-
At 30 June 2008	28,081,038	(12,434,847)	3,523,232	19,169,423	136,557	19,305,980

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2009

COMPANY - Attributable to equity holders of the parent

	Issued capital $	Accumulated losses $	Reserves $	Total $
At 1 July 2008	28,081,038	(15,735,437)	2,465,422	14,811,023
Change in fair value of available for sale financial assets	-	-	(1,285,796)	(1,285,796)
Total income and expense for the period directly recognised in equity	-	-	-	-
Loss for the period	-	(12,403,421)	-	(12,403,421)
Total income/expense for the period	-	(12,403,421)	-	(12,403,421)
Placement of shares	750,000	-	-	750,000
Exercise of options	375,000	-	-	375,000
Less issue costs	(1,818)	-	-	(1,818)
At 30 June 2009	29,204,220	(28,138,858)	1,179,626	2,244,988
At 1 July 2007	15,924,524	(13,871,684)	427,561	2,480,401
Change in fair value of available for sale financial assets	-	-	1,595,041	1,595,041
Total income and expense for the period directly recognised in equity	-	-	1,595,041	1,595,041
Loss for the period	-	(1,863,753)	-	(1,863,753)
Total income/expense for the period	-	(1,863,753)	-	(1,863,753)
Exercise of options	1,125,000	-	-	1,125,000
Issue of options to directors	-	-	442,820	442,820
Placement of shares	822,515	-	-	822,515
Shares/options issued as consideration for acquisition of investment	9,770,311	-	438,688	10,208,999
Exercise of options	438,688	-	(438,688)	-
At 30 June 2008	28,081,038	(15,735,437)	2,465,422	14,811,023

The notes on pages 20 to 46 are an integral part of these consolidated financial statements.

BALANCE SHEETS
AS AT 30 JUNE 2009

	Note	Consolidated 2009 $	Consolidated 2008 $	Company 2009 $	Company 2008 $
CURRENT ASSETS					
Cash and cash equivalents	25	891,555	783,339	223,245	187,877
Trade and other receivables	11	1,279,109	65,816	119,452	5,170
Other assets	12	465,186	7,200	340,886	7,200
TOTAL CURRENT ASSETS		2,635,850	856,355	683,583	200,247
NON-CURRENT ASSETS					
Assets classified as available-for-sale	13	2,705,377	13,259,910	2,705,377	13,259,910
Other investments	14	406,058	1,231,000	1,610,594	2,293,581
Investments in equity accounted investees	15	4,070,290	6,591,754	-	-
Plant and equipment	16	4,549	2,763	2,058	2,763
Intangible assets - patents		216,414	-	-	-
TOTAL NON-CURRENT ASSETS		7,402,688	21,085,427	4,318,029	15,556,254
TOTAL ASSETS		10,038,538	21,941,782	5,001,612	15,756,501
CURRENT LIABILITIES					
Trade and other payables	17	1,186,109	309,506	391,022	195,478
Loans	18	2,365,602	750,000	2,365,602	750,000
TOTAL CURRENT LIABILITIES		3,551,711	1,059,506	2,756,624	945,478
NON-CURRENT LIABILITIES					
Deferred tax liability	9	-	1,576,296	-	-
TOTAL NON-CURRENT LIABILITIES		-	1,576,296	-	-
TOTAL LIABILITIES		3,551,711	2,635,802	2,756,624	945,478
NET ASSETS		**6,486,827**	**19,305,980**	**2,244,988**	**14,811,023**
EQUITY					
Share capital	19	29,204,220	28,081,038	29,204,220	28,081,038
Reserves	21	2,344,073	3,523,232	1,179,626	2,465,422
Accumulated losses	22	(25,493,808)	(12,434,847)	(28,138,858)	(15,735,437)
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		6,054,485	19,169,423	2,244,988	14,811,023
Minority interest		432,342	136,557	-	-
TOTAL EQUITY		**6,486,827**	**19,305,980**	**2,244,988**	**14,811,023**

The notes on pages 20 to 46 are an integral part of these consolidated financial statements.

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2009

	Note	Consolidated 2009 $	Consolidated 2008 $	Company 2009 $	Company 2008 $
Cash flows from operating activities					
Cash receipts from customers		1,595,065	15,417	20,064	15,417
Cash paid to suppliers and employees		(2,645,074)	(2,682,873)	(693,206)	(895,777)
Interest received		16,184	62,647	10,052	60,406
Interest paid		(6,851)	(11,521)	(6,851)	(11,521)
Income tax paid		(124,300)	-	-	-
Net cash used in operating activities	25(b)	(1,164,976)	(2,616,330)	(669,941)	(831,475)
Cash flows from investing activities					
Acquisition of plant and equipment		(2,492)	-	-	-
Acquisition of patent		(216,414)	-	-	-
Acquisition of available-for-sale assets		(2,187,866)	(3,720,466)	(2,187,866)	(3,720,466)
Proceeds from sale of available-for-sale assets		728,611	3,344,710	728,611	3,344,710
Investment in controlled entity		-	-	-	(1,987,727)
Acquisition of equity accounted investment		(1,000,000)	(650,000)	(1,000,000)	(650,000)
Deposits on investments		(333,618)		(333,618)	
Research and development		-	(342,816)	-	(342,816)
Cash movement on deconsolidation of subsidiary		-	(1,419,855)	-	-
Net cash used in investing activities		(3,011,779)	(2,788,427)	(2,792,873)	(3,356,299)
Cash flows from financing activities					
Loan to associate entity		(100,000)	-	(100,000)	-
Proceeds from repayment of loan		-	200,000	-	200,000
Proceeds from borrowings		2,475,000	2,000,005	2,475,000	2,000,005
Repayment of borrowings		-	(1,250,005)	-	(1,250,005)
Proceeds from exercise of options		375,000	1,125,000	375,000	1,125,000
Proceeds from issue of shares in controlled entity		735,867	504,609	-	-
Proceeds from issue of shares		750,000	822,515	750,000	822,515
Payment of capital raising costs		(1,818)	(14,609)	(1,818)	(14,609)
Net cash from financing activities		4,234,049	3,387,515	3,498,182	2,882,906
Net increase (decrease) in cash and cash equivalents		57,294	(2,017,242)	35,368	(1,304,868)
Cash and cash equivalents at 1 July		783,339	2,912,600	187,877	1,492,745
Effect of exchange rate fluctuations on cash held		50,922	(112,019)	-	-
Cash and cash equivalents at 30 June	25(a)	891,555	783,339	223,245	187,877

The notes on pages 20 to 46 are an integral part of these consolidated financial statements

Notes to the Financial Statements
For the year ended 30 June 2009

1. REPORTING ENTITY

Wasabi Energy Limited (the 'Company') is a company domiciled in Australia. The consolidated financial statements of the Company as at and for the year ended 30 June 2009 comprise the Company and its subsidiaries (together referred to as the 'Group') and the Group's interest in associates and jointly controlled entities.

The Group is primarily involved in identifying, investing in and developing alternative energy process sytems.

2. BASIS OF PREPARATION

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards ('AASBs') (including Australian interpretations) adopted by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001. The consolidated financial report of the Group and the financial report of the Company comply with International Financial Reporting Standards (IFRSs) and the interpretations adopted by the International Accounting Standards Board (IASB).

The financial statements were approved by the Board of Directors on 30 September 2009.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities.

(a) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except available-for-sale assets stated at fair value.

(b) Functional and presentation currency

These consolidated financial statements are presented in Australian dollars, which is the Company's functional currency and the functional currency of the majority of the Group. All financial information presented has been rounded to the nearest dollar unless stated.

(c) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

- Note 27 – share-based payments
- Note 13 – valuation of financial instruments
- Note 9 – income tax

Notes to the Financial Statements
For the year ended 30 June 2009

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Impairment

(i) Financial assets
A financial asset is reviewed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in equity.

(ii) Non-financial assets
The carrying amounts of the Group's financial assets, other than investment property, inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated at each reporting date.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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 the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset to its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a *pro rata* basis.

An impairment loss in respect of goodwill (or intangible) is not reversed, In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimate used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if not impairment loss has been recognised.

Notes to the Financial Statements
For the year ended 30 June 2009

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit and loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date, ie., the date that the Group commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Groups obligations specified in the contract expire or are discharged or cancelled.

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Accounting for finance income and expenses is discussed in note 3 (i).

Available-for-sale financial assets
The Group's investments in equity securities and certain debt securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses (see note (d)(i)), and foreign exchange gains and losses on available-for-sale monetary items (see note (o)), are recognised directly in a separate component of equity. When an investment is derecognised, the cumulative gain or loss in equity is transferred to profit or loss.

Financial assets at fair value through profit or loss
An instrument is classified as at fair value though profit or loss if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Upon initial recognition attributable transaction costs are recognised in profit or loss when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

Other
Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

Ordinary shares
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

Preference share capital
Preference share capital is classified as equity if it is non-redeemable, or redeemable only at the Company's option, and any dividends are discretionary. Dividends thereon are recognised as distributions within equity upon declaration by the directors.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Non-derivative financial instruments (continued)

Preference share capital
Preference share capital is classified as a liability if it is redeemable on a specific date or at the option of the shareholders, or if dividend payments are not discretionary. Dividends thereon are recognised as interest expense in profit or loss as accrued.

Dividends
Dividends on redeemable preference shares are recognised as a liability on an effective yield bases. Other dividends are recognised as a liability in the period in which they are declared.

(f) Employee benefits

Defined contribution superannuation funds
Obligations for contributions to defined contribution superannuation funds are recognised as an expense in the profit or loss when they are due

Share-based payment transactions
The grant date fair value of options granted to employees is recognised as an employee expense with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the options. The amount recognised is adjusted to reflect the actual number of share options that vest, except for those that fail to vest due to market conditions not being met.

The fair value of the amount payable to employees in respect of share appreciation rights, which are settled in cash, is recognised as an expense, with a corresponding increase in liabilities, over the period in which the employee becomes unconditionally entitled to payment. The liability is remeasured at each reporting date and at settlement date. Any changes in the fair value of the liability are recognised as personnel expense in profit or loss.

(g) Basis of consolidation

Subsidiaries
Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

In the Company's financial statements, investments in subsidiaries are carried at cost.

Transactions eliminated on consolidation
Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment. Gains and losses are recognised when the contributed assets are consumed or sold by the equity accounted investees or, if not consumed or sold by the equity accounted investee, when the Group's interest in such entities is disposed of.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Basis of consolidation (continued)

Associates and joint ventures (equity accounted investees)
Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions. Associates and joint ventures are accounted for using the equity method (equity accounted investees). The consolidated financial statements include the Group's share of the income and expenses of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest (including any long term investments) is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

Jointly controlled operations and assets
The interest of the Group in unincorporated joint ventures and jointly controlled assets are brought to account by recognising in its financial statements the assets it controls, the liabilities it incurs, the expenses it incurs and its share of income that it earns from the sale of goods or services by the joint venture.

(h) Revenue recognition

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

Sale of non-current assets
The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal.

(i) Finance income and expenses

Finance income comprises interest income on funds invested, dividend income, gains on the disposal of available-for-sale financial assets and changes in the fair value of financial assets at fair value through profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Finance expenses comprise interest expense on borrowings, unwinding of the discount on provisions, dividends on preference shares classified as liabilities, changes in the fair value of financial assets at fair value through profit or loss, impairment losses recognised on financial assets, and losses on hedging instruments that are recognised in profit or loss. All borrowing costs are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Taxation

Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend.

The Company recognises deferred tax assets arising from unused tax losses of the tax-consolidated group to the extent that it is probable that future taxable profits of the tax-consolidated group will be available against which the asset can be utilised.

(k) Non-current assets held for sale

Non-current assets (or disposal groups comprising assets and liabilities) which are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the assets (or components of a disposal group) are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets (or disposal group) are measured at the lower of their carrying amount and fair value less cost to sell. Any impairment loss on a disposal group first is allocated to goodwill, and then to remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property and biological assets, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on re-measurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

Impairment losses on initial classification as held for sale are included in profit or loss, even when there is a revaluation. The same applies to gains and losses on subsequent re-measurement.

Notes to the Financial Statements
For the year ended 30 June 2009

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Plant and equipment

Items of plant and equipment are measured at cost less accumulated depreciation (see below) and impairment losses

Acquisition
Items of plant and equipment are initially recorded at cost and depreciated on a straight line basis as outlined below.

Depreciation and amortisation
Items of plant and equipment are depreciated over their estimated useful lives, as follows:

	2009	*2008*
Plant and equipment	17%-40% straight line	17% - 40% straight line

Assets are depreciated or amortised from the date of acquisition.
Depreciation methods, useful lives and residual values are reassessed at the reporting date.

(m) Intangible assets - patent

Intangible assets consist of patents that were acquired by the Group, which have finite useful lives, are measured at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets being 12 years, other than goodwill, from the date that they are available for use.

(n) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(o) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the foreign exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments or a financial liability designated as a hedge of the net investment in a foreign operation.

Notes to the Financial Statements
For the year ended 30 June 2009

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Foreign operations

For assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Australian dollars at exchange rates at the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated into Australian dollars at exchange rates at the dates of the transactions.

Foreign currency differences are recognised directly in equity. Since 1 July 2004, the Group's date of transition to AASBs, such differences have been recognised in the foreign currency translation reserve (FCTR). When a foreign operation is disposed of, in part or in full, the relevant amount in the FCTR is transferred to profit or loss.

Foreign exchange gains and losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form a part of a net investment in a foreign operation and are recognised directly in equity in the FCTR.

(q) New standards and interpretations not yet adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 31 December 2008, but have not been applied preparing this financial report:

Revised AASB 3 *Business Combinations (2008)* incorporates the following changes that are likely to be relevant to the Group's operations:
The definition of a business has been broadened, which is likely to result in more acquisitions being treated as business combinations

Contingent consideration will be measured at fair value, with subsequent changes therein recognised in profit or loss

Transaction costs, other than share and debt issue costs, will be expensed as incurred

Any pre-existing interest in the acquiree will be measured at fair value with the gain or loss recognised in profit or loss

Any non-controlling (minority) interest will be measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of the acquiree, on a transaction-by-transaction basis.

Revised AASB 3, which becomes mandatory for the Group's 31 December 2010 financial statements, will be applied prospectively and therefore there will be no impact on prior periods in the Group's 2010 consolidated financial statement.

Amended AASB 127 *Consolidated and Separate Financial Statements (2008)* requires accounting for changes in ownership interests by the Group in a subsidiary, while maintaining control, to be recognised as an equity transaction. When the Group loses control of subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognised in profit or loss. The amendments to AASB 127, which become mandatory for the Group's 31 December 2009 financial statements, are not expected to have a significant impact on the consolidated financial statements.

AASB 8 *Operating Segments* introduces the "management approach" to segment reporting. AASB 8, which becomes mandatory for the Group's 31 December 2009 financial statements, will required a change in the presentation on and disclosure of segment information based on the internal reports regularly reviewed by the Group's Chief Operating Decision Maker in order to assess each segment's performance and to allocate resources to them. Currently the Group presents segment information in respect of its geographical segments (see note 24).

Notes to the Financial Statements
For the year ended 30 June 2009

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) New standards and interpretations not yet adopted (continued)

Revised AASB 101 *Presentation of Financial Statements (2007)* introduces the term total comprehensive income, which represents changes in equity during a period other than those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income may be presented in either a single statement of comprehensive income (effectively combining both the income statement and all non-owner changes in equity in a single statement) or, in an income statement and a separate statement of comprehensive income. Revised AASB 101, which becomes mandatory for the Group's 31 December 2009 financial statements, is expected to have a significant impact on the presentation of the consolidated financial statements. The Group plans to provide total comprehensive income in a single statement of comprehensive income in a single statement of comprehensive income for its 2009 consolidated financial statements.

Revised AASB 123 *Borrowing Costs* removes the option to expense borrowing costs and requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The revised AASB 123 will become mandatory for the Group's 31 December 2009 financial statements and will constitute a change in accounting policy for the Group. In accordance with the transitional provisions the Group will apply the revised AASB 123 to qualifying assets for which capitalisation of borrowing costs commences on or after the effective date. Therefore there will be no impact on prior periods in the Group's 31 December 2009 financial statements.

AASB 2008-1 *Amendments to Australian Accounting Standard – Share-based Payment: Vesting Conditions and Cancellations* clarifies the definition of vesting conditions, introduces the concept of non-vesting conditions, requires non-vesting conditions to be reflected in grant-date fair value and provides the accounting treatment for non-vesting conditions and cancellations. The amendments to AASB 2 will be mandatory for the Group's 31 December 2009 financial statements, with retrospective application. The Group has not yet determined the potential effect of the amendment.

AASB 2008-5 *Amendments to Australian Accounting Standards arising from the Annual Improvements Process* and 2008-6 *Further Amendments to Australian Accounting Standards arising from The Annual Improvements Process* affect various AASBs resulting in minor changes for presentation, disclosure, recognition and measurement purposes.

The amendments, which become mandatory for the Group's 31 December 2009 financial statements, are not expected to have any impact on the financial statements.

AASB 2008-7 *Amendments to Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate* changes the recognition and measurement dividend receipts as income and addresses the accounting of a newly formed parent entity in the separate financial statements. The amendments become mandatory for the Group's 31 December 2009 financial statements. The Group has not yet determined the potential effect of the amendments.

(r) Determination of fair values

Some of the Group's accounting policies and disclosures require the determination of fair value, which have been determined for measurement and/or disclosure purposes based on the following methods:

Investment in equities

The fair value of available-for-sale financial assets is determined by reference to their quoted bid price at the reporting date.

Share-based payment transactions

The fair value of options issued under ordinary shares is measured by the methods set out in note 27.

Notes to the Financial Statements
For the year ended 30 June 2009

	Consolidated		The Company	
	2009	2008	2009	2008
	$	$	$	$
4. OTHER INCOME				
Gain on acquisition	-	-	-	1,596,490
Gain on dilution of investment (a)	561,957	4,289,018	-	-
Profit on sale of financial assets	187,822	837,951	187,822	837,951
Engineering services	2,165,921	-	-	-
Equipment sales	334,131	-	45	-
Royalties	174,131	-	-	-
Office and equipment rental	22,644	16,892	22,644	16,892
Other income	74	40,192	74	-
	3,446,680	5,184,053	210,585	2,451,333

(a) During 2008 the Group realised a gain on dilution of ownership Rum Jungle Uranium Limited of $4,289,018 resulting from share issues by Rum Jungle subsequent to 30 April 2007 in which the Company did not participate. During 2009 the Company realised a gain on dilution of its investment in Global Geothermal Limited of $544,975 and a gain on its investment in Aqua Guardian Group of $16,982.

	Consolidated		The Company	
	2009	2008	2009	2008
5. NET FINANCING INCOME/(EXPENSE)				
Fair value gain/(loss) on options	(187,277)	581,000	(187,277)	581,000
Interest income	16,447	58,209	10,315	55,968
Interest expense	(302,453)	(19,021)	(302,453)	(19,021)
Foreign exchange loss	(13,185)	(12,022)	(7,021)	2,437
Change in fair value of associate (b)	1,575,280	-	-	-
Impairment of investment (a)	(15,174,495)	(1,636,533)	(11,340,692)	(3,874,536)
	(14,085,683)	(1,028,367)	(11,827,128)	(3,254,152)

(a) As at 31 December 2008 a number of investments in the shares of listed companies were impaired to fair value as a result of a global downturn in financial markets. The value was determined to be the closing market value of the shares at 31 December 2008 for the listed companies and net asset value for the unlisted company. The total impairment of listed share investments was $14,972,495 ($11,020,741 for company). Subsequent to the impairment charge recorded at 31 December 2008 the value of certain investments decreased by $202,000 (for company $319,951) which has been included in the above impairment charge.
(b) Subsequent to the impairment charge referred to in (a) above the value of Rum Jungle Uranium Limited, an associate of the Company increased in value

	Consolidated		The Company	
	2009	2008	2009	2008
6. OTHER EXPENSE				
Depreciation of plant and equipment	1,387	5,212	705	863
Research and development	-	342,816	-	342,816
Impairment of value of convertible notes (c)	-	140,000	-	140,000

(c) During the prior year the Company acquired a convertible note issued by Exergy Inc. for $140,000. Consistent with the accounting policy adopted in previous years the directors have fully provided for impairment of the note.

7. FINANCIAL RISK MANAGEMENT

Overview

The Company and Group have exposure to the following risks from their use of financial instruments:

- credit risk
- liquidity risk
- market risk.

This note presents information about the Company's and Group's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. Risk management policies are established to identify and analyse the risks faced by the Company and Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's and Group's activities. The Company and Group, through their training and management standards and procedures, aim to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities. For the Company it arises from receivables due from subsidiaries.

Exposure to credit risk

The carrying amount of the Company and the Group's financial assets represents the maximum credit exposure. The Company and the Group's maximum exposure to credit risk at the reporting date was:

		Consolidated		**Company**	
		Carrying amount		Carrying amount	
	Note	2009	2008	2009	2008
		$	$	$	$
Available-for-sale financial assets	13	2,705,377	13,259,910	2,705,377	13,259,910
Trade and other receivables	11	1,279,109	65,816	119,452	5,170
Cash and cash equivalents	25a	891,555	783,339	223,245	187,877
		4,876,041	14,109,065	3,048,074	13,452,957

Cash

The Company and the Group invests its cash with major banks and believes the credit risk is low.

Trade and other receivables

The Company and the Group has a concentration of credit risk by geographical segment and by customer in that Global Geothermal is in the early stages of its trading development. During the year, the Group executed a major agreement with an organisation in China. The Group intends to manage this risk by further developing its customer base with organisations in other geographical areas.

Notes to the Financial Statements
For the year ended 30 June 2009

7. FINANCIAL RISK MANAGEMENT (continued)

Credit risk (continued)

The Company and the Group's maximum exposure to credit risk for trade and other receivables due from it's customers at the reporting date by geographic region was:

	Consolidated		Company	
	Carrying amount		Carrying amount	
	2009	2008	2009	2008
	$	$	$	$
Australia	119,452	5,170	119,452	5,170
China	1,157,979	-	-	-
US	-	60,646	-	-
Other	1,678	-	-	-
	1,279,109	65,816	119,452	5,170

None of the Company's nor the Group's trade and other receivables are past due (2008: nil).

Based on historic default rates the Company and the Group believe that no impairment allowance is necessary in respect of trade and other receivables not past due or past due by up to 30 days.

At 30 June 2009 the Company and the Group do not have any collective impairment on its trade or other receivables. (2008: nil).

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

	Consolidated			Company		
	Carrying amount	Contractual cash flows	6 months or less	Carrying amount	Contractual cash flows	6 months or less
	$	$	$	$	$	$
Non-derivative financial liabilities						
Convertible notes	2,365,602	2,365,602	2,365,602	2,365,602	2,365,602	2,365,602
Trade and other payables	1,186,109	1,186,109	1,186,109	391,021	391,021	391,021
	3,551,711	3,551,711	3,551,711	2,756,623	2,756,623	2,756,623

Notes to the Financial Statements
For the year ended 30 June 2009

7. FINANCIAL RISK MANAGEMENT (continued)

The Group has access to a number of equity investments held in marketable, liquid securities available for sale which can be realised at short notice to meet liabilities as they fall due. The Convertible Notes were repaid subsequent to the reporting date.

Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Equity Risk

The Company and the Group owns available-for-sale financial assets of $2,705,377 (2008: $13,259,910). A 10% increase or decrease in share price of the equity instruments would increase or decrease equity by $270,538 (2008: $928,194)

Currency risk

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of Group entities, primarily the Australian dollar (AUD). The currencies in which these transactions primarily are denominated are USD and GBP.

The Group has no borrowings in any currency other than AUD.

Exposure to currency risk

The Group's exposure to foreign currency risk at balance date was as follows, based on notional amounts:

	AUD	USD	AUD		USD
	30 June 2009		30 June 2008		
	$	$	$		$
Trade and other receivables	119,452	1,159,657	5,170	-	60,646
Trade and other payables	(391,021)	(795,088)	(195,478)	-	(114,028)
Convertible notes	(2,365,602)	-	-		-
Loans	-	-	(750,000)	-	-
Net exposure	(2,637,171)	368,719	(940,308)	-	(53,382)

The Company has an exposure to foreign currency risk through its concentration of receivables being denominated in US dollars.

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
AUD	**2009**	**2008**	**2009**	**2008**
GBP	0.46	0.45	0.49	0.48
USD	0.75	0.90	0.80	0.96

Notes to the Financial Statements
For the year ended 30 June 2009

7. FINANCIAL RISK MANAGEMENT (continued)

Sensitivity analysis

A 10 percent strengthening of the Australian dollar against the following currencies at 30 June would have increased/(decreased) equity and increased/(decreased) loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2008.

	Consolidated		Company	
	Equity	**Loss**	**Equity**	**Loss**
	$	$	$	$
30 June 2009				
GBP	-	-	-	-
USD	(118,410)	(15,014)	-	-
30 June 2008				
GBP	(15,661)	(146,304)	-	-
USD	167,894	(85,992)	-	-

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

Interest rate risk

Profile

At the reporting date the interest rate profile of the Company's and the Group's interest-bearing financial instruments was:

	Consolidated Carrying amount		Company Carrying amount	
	2009	2008	2009	2008
	$	$	$	$
Fixed rate instruments				
Financial liabilities	(2,365,602)	(750,000)	(2,365,602)	(750,000)
	(2,365,602)	(750,000)	(2,365,602)	(750,000)
Variable rate instruments				
Financial assets	891,555	783,339	223,245	187,877

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, therefore a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2008.

Notes to the Financial Statements
For the year ended 30 June 2009

7. FINANCIAL RISK MANAGEMENT (continued)

	Profit or loss		Equity	
	100bp increase	**100bp decrease**	**100bp increase**	**100bp decrease**
	$	**$**	**$**	**$**
30 June 2009				
Variable rate instruments	8,916	(8,916)	8,916	(8,916)
Cash flow sensitivity (net)	8,916	(8,916)	8,916	(8,916)
30 June 2008				
Variable rate instruments	7,833	(7,833)	7,833	(7,833)
Cash flow sensitivity (net)	7,833	(7,833)	7,833	(7,833)

Fair values versus carrying amounts

The fair values of financial assets and liabilities are as per the carrying amounts shown in the balance sheet.

Capital Management

The Directors define capital as the total equity of the Group. The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Group defines as net operating income divided by total shareholders' equity, excluding non-redeemable preference shares and minority interests.

There were no changes in the Group's approach to capital management during the year.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

	Consolidated		Company	
	2009	2008	2009	2008
	$	$	$	$
8. AUDITORS REMUNERATION				
Auditors of the Company				
KPMG Australia:				
Audit and review of financial reports	121,431	70,431	121,431	70,431
Tax compliance	16,300	-	16,300	-
	137,731	70,431	137,731	70,431
KPMG United Kingdom:				
Audit and review of financial reports	79,046	67,262	-	67,262
Tax compliance	7,051	-	-	-
Other advisory services	-	31,389	-	31,398
	86,097	98,651	-	98,651

Notes to the Financial Statements
For the year ended 30 June 2009

9. INCOME TAX AND DEFERRED TAX

	Consolidated 2009 $	Consolidated 2008 $	Company 2009 $	Company 2008 $
(a) Numerical reconciliation of income tax expense to prima facie tax payable:				
Profit/(loss) from ordinary activities before income tax expense	(14,772,581)	320,269	(12,489,026)	(2,567,913)
Prima facie tax benefit/(expense) on profit/(loss) from ordinary activities at 30% (2008: 30%)	(4,431,774)	96,081	(3,746,708)	(770,374)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:	3,748,689	1,858,379	3,191,323	936,542
	(683,085)	1,954,460	(555,385)	166,168
Recognition of previously unrecognised tax losses	-	(1,082,324)	-	(874,394)
Reversal of temporary differences:	1,576,296	-	-	-
Deferred tax assets not previously brought to account	85,605	-	85,605	-
Deferred tax assets not brought to account	683,085	-	555,385	4,066
Income tax credit/(expense)	1,661,901	872,136	85,605	(704,160)
Income tax recognised directly in equity				
Available-for-sale financial assets	85,605	704,160	85,605	704,160

	Consolidated 2009 $	Consolidated 2008 $	Company 2009 $	Company 2008 $
(b) Unrecognised Deferred Tax Assets (at 30%)				
Carry forward revenue tax losses	1,337,672	-	1,337,672	-
Carry forward foreign tax losses	617,998	490,297	-	-
Carry forward capital tax losses	368,669	64,597	368,669	64,597
	2,324,399	554,894	1,706,341	64,597

Then deductible temporary differences and tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits therefrom.

Deferred tax liabilities (at 30%)
During the year ended 30 June 2009 there were no previously unrecognised tax losses recognised and offset against the deferred tax liability for the investment in associates (2008: $715,553).

	Consolidated 2009 $	Consolidated 2008 $	Company 2009 $	Company 2008 $
(i) Recognised in income statement				
Investment in associates	-	872,136	-	(704,160)
(ii) Recognised directly in equity				
Available-for-sale financial assets	85,605	704,160	85,605	704,160
	85,605	1,576,296	85,605	-

Notes to the Financial Statements
For the year ended 30 June 2009

		Consolidated	
		2009	**2008**
10.	**LOSS PER SHARE**		
	The calculation of basic loss per share at 30 June 2009 was based on the loss attributable to ordinary share holders of $13,058,961 (2008: profit of $511,426)		
	Weighted average number of ordinary shares outstanding during the financial year	819,380,181	758,669,134
	Basic and diluted earnings/(loss) per share	(1.59) cents	0.06 cents

Potential ordinary shares on issue are not considered dilutive and accordingly, diluted loss per share is the same as basic loss per share.

Weighted average number of ordinary shares:

		Consolidated	
	Note	**2009**	**2008**
Issued ordinary shares at 1 July	19	806,640,455	568,140,445
Effect of shares issued on 6 May 2009	19	11,506,849	-
Effect of shares issued 19 June 2009	19	1,232,877	-
Effect of shares issued 14 August 2007		-	175,000,000
Effect of shares issued 30 October 2007		-	25,000,000
Effect of shares issued 13 December 2007		-	23,500,000
Effect of shares issued 14 January 2008		-	15,000,000
Weighted average number of ordinary shares at 30 June	19	819,380,181	758,669,134

		Consolidated		The Company	
		2009	**2008**	**2009**	**2008**
		$	**$**	**$**	**$**
11.	**TRADE & OTHER RECEIVABLES**				
	Current				
	Trade receivables	1,167,662	28,975	8,005	5,150
	Other receivables (i)	111,447	36,841	111,447	20
	Convertible Note – Exergy Inc. inc accrued interest	-	826,952	-	-
	Impairment of Convertible Note inc accrued interest	-	(826,952)	-	-
	Convertible Note – Exergy Inc (ii)	140,000	140,000	140,000	140,000
	Impairment of Convertible Note	(140,000)	(140,000)	(140,000)	(140,000)
		1,279,109	65,816	119,452	5,170

(i) Other receivables

Included in other receivables is a short term loan of $100,000 to Australian Renewable Fuels Ltd. The loan is unsecured and attracts an interest rate of 12%. Interest is accrued and payable at the end of the term. The loan was repaid in August 2009.

(ii) Convertible Note – Exergy Inc.

On 25 March 2008 the Company acquired a convertible note issued by Exergy Inc for a consideration of $140,000. The Company has provided in full for impairment of the note consistent with accounting policy in prior years.

Notes to the Financial Statements
For the year ended 30 June 2009

	Consolidated		The Company	
	2009	**2008**	**2009**	**2008**
	$	**$**	**$**	**$**
12. OTHER ASSETS				
Deposits	333,618	-	333,618	-
Prepayments	131,568	7,200	7,268	7,200
	465,186	7,200	340,886	7,200

Deposits include a $200,000 subscription for 1,600,000 ordinary shares in the share capital of Aqua Guardian Group, an equity accounted investee of the Group. The shares were issued subsequent to 30 June 2009.

Deposits include a payment of $133,618 to AMP Capital Partners a minority shareholder of Global Geothermal Limited (GGL), a controlled entity of the Company. The payment is a first instalment of a purchase to acquire 394,999 shares in GGL. The agreement to acquire the share capital was executed subsequent to 30 June 2009. The transaction was completed post year end (refer to note 28).

	Consolidated		The Company	
	2009	**2008**	**2009**	**2008**
	$	**$**	**$**	**$**
13. ASSETS CLASSIFIED AS AVAILABLE-FOR-SALE				
Non-current investments				
Listed equity investments at fair value	2,705,377	13,259,910	2,705,377	13,259,910
	2,705,377	13,259,910	2,705,377	13,259,910
14. NON-CURRENT INVESTMENTS				
Investment at cost	12,335	650,000	12,335	650,000
Investment in options at fair value	393,723	581,000	393,723	581,000
Investment in controlled entities	-	-	1,204,536	1,062,581
	406,058	1,231,000	1,610,594	2,293,581

15 EQUITY ACCOUNTED INVESTEES

On 1 January 2009 the Group recognised its investment in Aqua Guardian Group as equity accounted investment. It's share of the loss for the period is $134,934 which is 36.7% of the loss for the period 1 January to 30 June 2009 of $367,869.

The Group's share of loss in its equity accounted investees for the year was $299,547 (2008: loss of $272,201).

The fair value of the shares held in Rum Jungle at 30 June 2009 is $3,916,000 resulting in an impairment of $2,376,474 recognised by the Group in the income statement.

During the year the Company increased its share holding in Aqua Guardian Group from 22.45% to 36.68% Effective from 1 January 2009 the Group has equity accounted for the investment. As such the total loss attributable is $134,934.

Notes to the Financial Statements
For the year ended 30 June 2009

15. EQUITY ACCOUNTED INVESTEES (CONTINUED)

Summary financial information for equity accounted investees held by the Group:

2009	%	Current assets	Non-current assets	Total assets	Current liabilities	Total liabilities	Revenues	Expenses	Loss
Aqua Guardian	36.7	344,729	265,930	610,659	156,609	190,020	128,713	(496,582)	(367,869)
Rum Jungle Uranium	35.2	7,355,967	10,833,662	18,189,629	313,282	313,282	584,195	(1,051,847)	(467,652)

2008	%	Current assets	Non-current assets	Total assets	Current liabilities	Total liabilities	Revenues	Expenses	Loss
Rum Jungle Uranium	36.3	10,360,627	7,854,291	18,214,918	87,595	87,595	492,581	(1,241,924)	(749,343)

	$
Equity interest in Aqua Guardian Group	154,290
Equity interest in Rum Jungle Uranium	6,292,474
	6,446,764
Less impairment	(2,376,474)
	4,070,290

	Consolidated		**The Company**	
	2009	**2008**	**2009**	**2008**
	$	**$**	**$**	**$**
16. PLANT AND EQUIPMENT				
Plant and equipment – at recoverable amount	29,761	26,588	22,239	22,239
Less: accumulated depreciation	(25,212)	(23,825)	(20,181)	(19,476)
	4,549	2,763	2,058	2,763
Reconciliations				
Carrying amounts:				
Plant and equipment				
Carrying value at beginning of year	2,763	87,600	2,763	3,626
Additions	3,173	4,349	-	-
Disposals	-	(83,974)	-	-
Depreciation for the year	(1,387)	(5,212)	(705)	(863)
Carrying value at end of year	4,549	2,763	2,058	2,763
17. TRADE AND OTHER PAYABLES				
Trade and other payables	395,711	309,506	391,021	195,478
Deferred income	790,398	-	-	-
	1,186,109	309,506	391,021	195,478
18. CURRENT LOANS				
Convertible notes	2,365,602	-	2,365,602	-
Unsecured	-	750,000	-	750,000
	2,365,602	750,000	2,365,602	750,000

Notes to the Financial Statements
For the year ended 30 June 2009

18. CURRENT LOANS (CONTINUED)

Convertible notes were issued in July 2008 with a one year term and interest payable at 10% per annum. The notes carry the option to convert into ordinary shares of Wasabi Energy at a price of 3.50 cents if the Company's shares trade over a price of 4 cents for a period of sixty days within the term of the Note. The loan of $750,000 was converted to a convertible note in July 2008. The convertible notes were repaid subsequent to year end (refer to note 28).

19. SHARE CAPITAL

	Consolidated 2009		Consolidated 2008	
Reconciliation of movement in capital and reserves attributable to equity holders of the parent	**Number**	**$**	**Number**	**$**
Balance at the start of the financial year	806,640,445	28,081,038	568,140,445	15,924,524
Exercise of options at 1 cent each	37,500,000	375,000	-	-
Placement of shares at 1 cent each	75,000,000	750,000	-	-
Shares issued to acquire investment	-	-	175,000,000	7,525,000
Options issued to acquire investment		-		2,245,311
Exercise of options issued to acquire investment				438,688
Exercise of options at 3 cents each	-	-	25,000,000	750,000
Placement of shares at 3.5 cents each	-	-	23,500,000	822,515
Exercise of options at 3.5cents each	-	-	15,000,000	375,000
Less share issue costs	-	(1,818)	-	
Balance at end of the financial year	919,140,445	29,204,220	806,640,445	28,081,038

20. OPTIONS

	Consolidated 2009 No.	Consolidated 2008 No.
Reconciliation of movement in options under issue over ordinary shares		
Balance at 1 July	63,600,000	35,000,000
Exercise of director options	-	20,000,000
Issue of attaching options	-	23,500,000
Issue of options	37,500,000	25,000,000
Exercise of options	(37,500,000)	(40,000,000)
Issue of options by GGL	-	100,000
Options expired unexercised	(23,500,000)	-
Balance at 30 June	40,100,000	63,600,000

Options under issue at 30 June 2009 have a weighted average exercise price of 3.25 cents (2008: 3.52 cents) and a weighted average period to expiry of 5 months (2008: 15 months). All of the options are unlisted.

Notes to the Financial Statements
For the year ended 30 June 2009

		Consolidated 2009 $	Consolidated 2008 $	The Company 2009 $	The Company 2008 $
21.	**RESERVES**				
	Fair value reserve				
	Opening balance	2,631,646	48,000	1,643,041	48,000
	Associate investment transaction through equity		988,605	-	-
	Movement in fair value of available-for-sale financial assets	(1,285,796)	1,595,041	(1,285,796)	1,595,041
	Closing balance	1,345,850	2,631,646	357,245	1,643,041
	Translation reserve				
	Opening balance	27,526	-	-	-
	Foreign currency translation differences for foreign operations	106,637	27,526	-	-
	Closing balance	134,163	27,526	-	-
	Share option reserve				
	Opening balance	864,060	379,561	822,381	379,561
	Issue of options as consideration for purchase of asset	-	438,688	-	438,688
	Exercise of options	-	(438,688)	-	(438,688)
	Issue of options to directors of Wasabi	-	442,820	-	442,820
	Issue of options to directors of GGL	-	41,679	-	-
	Closing balance	864,060	864,060	822,381	822,381
		2,344,073	3,523,232	1,179,626	2,465,422

Fair value reserve
The fair value reserve comprises the cumulative net change in the fair value of available-for-sale financial assets until the investment is derecognised or impaired.
Translation reserve
The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations as well as from the translation of liabilities that hedge the Company's net investment in a foreign subsidiary
Share option reserve
The share option reserve comprises the cost of options issued during the year less options converted during the year.

		Consolidated 2009 $	Consolidated 2008 $	The Company 2009 $	The Company 2008 $
22.	**RECONCILIATION OF MOVEMENT IN ACCUMULATED LOSSES**				
	Balance at beginning of year	(12,434,847)	(12,946,273)	(15,735,437)	(13,871,684)
	Total recognised income and expense	(13,058,961)	511,426	(12,403,421)	(1,863,753)
	Balance at end of year	(25,493,808))	(12,434,847)	(28,138,858)	(15,735,437)

Notes to the Financial Statements
For the year ended 30 June 2009

23. CONSOLIDATED ENTITIES

	Country of Incorporation	2009 %	2008 %
Parent			
Wasabi Energy Limited	Australia		
Controlled entities			
Wasabi Technologies Pty Ltd	Australia	100	100
Global Geothermal Limited	United Kingdom	73	75
Recurrent Engineering Llc	USA	73	75
Insurance Hotline Pty Ltd	Australia	-	100
Evolution Energy Pty Ltd	Australia	50	-

24. SEGMENT REPORTING

The Company and Group operate predominately in one business segment being energy and energy technology investments. The Company and Group are now operating in four geographical segments being Australia, UK and the USA.

	Australia $	UK $	Canada $	USA $	Total $
30 June 2009					
Revenue from external customers	772,542	2,121,680	-	552,458	3,446,680
Segment assets	7,867,365	2,054,578	-	116,595	10,038,538
Capital expenditure	-	-	-	(3,173)	(3,173)

	Australia $	UK $	Canada $	USA $	Total $
30 June 2008					
Revenue from external customers	5,143,861	-	-	40,192	5,184,053
Segment assets	20,543,571	553,456	742,104	102,651	21,941,782
Capital expenditure	-	-	-	(4,439)	(4,349)

Notes to the Financial Statements
For the year ended 30 June 2009

	Consolidated		The Company	
	2009	**2008**	**2009**	**2008**
	$	**$**	**$**	**$**
25. a NOTES TO THE STATEMENTS OF CASHFLOWS				
(a) cash and cash equivalents				
For the purposes of the cash flow statements cash and cash equivalents comprise the following at 30 June				
Cash at bank	891,555	783,339	223,245	187,877

	Consolidated 2009 $	Consolidated 2008 $	The Company 2009 $	The Company 2008 $
25 b. RECONCILIATION OF CASHFLOWS FROM OPERATING ACTIVITIES				
Cashflows from operating activities				
Profit/(loss) for the period	(13,110,680)	(551,867)	(12,403,421)	(1,863,753)
Adjustments for:				
Gain/(loss) on sale of financial assets	(187,822)	(837,951)	(187,822)	(837,951)
Fair value adjustment to options	187,277	(581,000)	187,277	(581,000)
Gain on acquisition of controlled entity		-	-	(1,596,490)
Depreciation	1,387	5,212	705	863
Impairment of investments	15,174,494	890,000	11,340,692	890,000
Foreign exchange loss/(gain)	13,186	12,022	7,021	(2,437)
Gain on dilution of investment	(561,957)	(4,289,018)	-	-
Loss on dilution of investment	122,333	-	-	-
Change in fair value of associate	(1,575,280)	-	-	-
Loss from equity accounted investee	299,547	272,201	-	3,862
Impairment of investment	-	886,533	-	1,712,354
Equity settled share based payment	-	498,392	-	442,820
Research and development	-	342,816	-	342,816
Operating profit/(loss) before changes in working capital and provisions	362,485	(3,352,660)	(1,055,548)	(1,488,916)
Change in assets and liabilities				
(Increase)/decrease in trade receivables	(1,113,030)	(37,416)	(19,933)	23,229
(Increase) in other current assets	-	(7,200)	-	(7,200)
Increase/(decrease) in trade creditors and accruals	1,286,165	(91,190)	491,145	(62,748)
Income tax paid	(124,300)	-	-	-
Increase/(decrease) in deferred tax	(1,576,296)	872,136	(85,605)	704,160
Net cash used in operating activities	(1,164,976)	(2,616,330)	(669,941)	(831,475)

Notes to the Financial Statements
For the year ended 30 June 2009

27. SHARE BASED PAYMENTS

The following table illustrates the number (No.) and weighted average exercise prices (WAEP) of and movements in share options issued by the Group during the year:

	2009 No.	2009 WAEP	2008 No.	2008 WAEP
Outstanding at 1 July	40,100,000	3.25 cents	20,000,000	3.25 cents
Granted during the period	-	-	20,000,000	3.25 cents
Granted during the period	-	-	100,000	2.0 cents
Forfeited during the period	-	-	-	-
Exercised during the period	-	-	-	-
Expired during the period	-	-	-	-
Outstanding at 30 June	40,100,000	3.25 cents	40,100,000	3.25 cents
Exercisable at 30 June	40,100,000	3.25 cents	40,100,000	3.25 cents

The options outstanding at 30 June 2009 have an exercise price in the range 3 cents to 3.5 cents (2008: 3 cents to 3.5 cents) and a weighted average contractual life of 5 months (2008: 1 year and 5 months). The options expire on 29 November 2009 (20,000,000 options), 30 November 2009 (20,000,000 options) and 27 December 2010 (100,000 options).

The weighted average fair value of options granted during 2008 was 3.25 cents.

28. RELATED PARTIES

The following were key management personnel of the Group at any time during the reporting period and unless otherwise indicated were key management personnel for the entire period

Executive directors
John Byrne — Chairperson, appointed 8 May 2009
Tim Wise — resigned 9 September 2009
Stephen Morris

Non-executive directors
Robert Reynolds
Robert Vallender

Executives
Bruce Levy
Phil MacLeod — Company secretary

The key management personnel compensation included in employee and directors costs are as follows:

	Consolidated		The Company	
	2009	2008	2009	2008
Short term employee benefit	697,406	505,665	355,000	337,537
Post employment benefits	17,100	16,050	17,100	16,050
Share based payments	-	484,499	-	442,820
	714,506	1,006,214	372,100	796,407

Notes to the Financial Statements
For the year ended 30 June 2009

28. RELATED PARTIES (CONTINUED)

Individual directors and executives compensation disclosures

Information regarding individual directors and executive's compensation and some equity instruments disclosures as permitted by Corporations Regulations 2M.3.03 and 2M.6.04 is provided in the Remuneration Report section of the Directors' report.

Apart from the details disclosed in this note, no director has entered into a material contract with the Company or the Group since the end of the previous financial year and there were no material contracts involving directors' interests existing at year-end.

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During the year Recurrent Engineering Llc, a Wasabi controlled entity, purchased management services for an amount of US$20,000 (2008: US$94,400) from AMP Capital Partners who had a 25% equity investment GGL.

Loans to key management personnel and their related parties

There were no loans made during the year (2008: nil) to key management personnel or their related parties.

Subsequent to year end Wasabi acquired a loan of $250,000 made to Australian Renewable Fuels Limited (ARF) from Mining & Rural Investments an entity related to John Byrne, a director of the Company. The acquired loan is repayable 29 January 2010 unless converted earlier pursuant to an ARF rights issue or placement. Interest at a rate of 12% per annum is payable quarterly in arrears and the loan is secured subject to ARF shareholder approval on the security being provided.

Options and rights over equity instruments

All options refer to options over ordinary shares which are exercisable on a one for one basis.

During the reporting period there were no options granted by Wasabi Energy to key management personnel as compensation (2008: 20,000,000).

There were no options granted by Global Geothermal (GGL) to key management personnel as compensation in 2009 (2008: 75,000, of those options 50,000 were issued to S Morris and 25,000 were issued to B Levy).

On 9 September 2009 Tim Wise resigned as a director of the Company.

Notes to the Financial Statements
For the year ended 30 June 2009

28. RELATED PARTIES (CONTINUED)

Options and rights over equity instruments (continued)

The movement during the reporting period in the number of options over ordinary shares in Wasabi Energy Limited held, directly, indirectly or beneficially, by each key management person, including their related parties is as follows:

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	Held at 1 July 2008	Granted as compensation	Exercised	Held at 30 June 2009	Vested during the year	Vested and exercisable at 30 June 2009
Directors						
Mr J Byrne	-	-	-	-	-	-
Mr S Morris	10,000,000	-	-	10,000,000	-	10,000,000
Mr T Wise	10,000,000	-	-	10,000,000	-	10,000,000
Mr R Reynolds	10,000,000	-	-	10,000,000	-	10,000,000
Mr R Vallender	10,000,000	-	-	10,000,000	-	10,000,000
Executives						
Mr P MacLeod	-	-	-	-	-	-

	Held at 1 July 2007	Granted as compensation	Exercised	Held at 30 June 2008	Vested during the year	Vested and exercisable at 30 June 2008
Directors						
Mr S Morris	-	10,000,000	-	10,000,000	10,000,000	10,000,000
Mr T Wise	-	10,000,000	-	10,000,000	10,000,000	10,000,000
Mr R Reynolds	10,000,000	-	-	10,000,000	-	10,000,000
Mr R Vallender	10,000,000	-	-	10,000,000	-	10,000,000
Executives						
Mr P MacLeod	-	-	-		-	-

Notes to the Financial Statements
For the year ended 30 June 2009

28. RELATED PARTIES (CONTINUED)

Movements in shares

The movement during the reporting period in the number of ordinary shares in Wasabi Energy Limited held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

	Held at 1 July 2008	Purchases	Received on exercise of options	Sales	Held at 30 June 2009
Directors					
Mr J Byrne *	-	22,066,667	-	-	22,066,667
Mr T Wise	18,898,429	-	-	(312,691)	18,585,738
Mr S Morris	7,500,000	-	-	-	7,500,000
Mr R Reynolds	3,400,000	-	-	-	3,400,000
Mr R Vallender	-	-	-	-	-
Executives					
Mr P MacLeod	751,332	-	-	-	751,332

	Held at 1 July 2007	Purchases	Received on exercise of options	Sales	Held at 30 June 2008
Directors					
Mr T Wise	20,898,429	-	-	(2,000,000)	18,898,429
Mr S Morris	7,500,000	-	-	-	7,500,000
Mr R Reynolds	3,400,000	-	-	-	3,400,000
Mr R Vallender	-	-	-	-	-
Executives					
Mr P MacLeod	751,332	-	-	-	751,332

* appointed 8 May 2009

No shares were granted to key management personnel during the reporting period as compensation in 2009 or 2008. No shares were held by related parties of key management personnel.

29. EVENTS SUBSEQUENT TO REPORTING DATE

Subsequent to 30 June 2009 the Company executed an agreement to acquire 394,999 ordinary shares in Global Geothermal Limited to increase its stake in the company from 75% to 96% at a cost of US$2,000,000. The transaction included payment of a deposit of US$100,000 paid on 15 May 2009 followed by a payment of US$900,000 made on 31 July 2009 and a $1,000,000 5% Loan note payable on 1 January 2014 secured on the shares being acquired and held in escrow until such time as the loan note is repaid.

In July 2009 the Company raised $4.59m before issue costs from the non-renounceable entitlement issue of convertible preference shares. Preference shares convert into one ordinary share and one option to subscribe for an ordinary share for each preference share held. The issue is expected to provide funding for the Company over the next year while some of its projects progress to fruition.

In July 2009 the balance of convertible notes being $2.35m was repaid in full through a combination of cash of $973,000 and the balance through the take up of shares in the non-renounceable rights issue described above.

There were no other events subsequent to reporting date.

WASABI ENERGY LIMITED

DIRECTORS' DECLARATION

1 In the opinion of the directors of Wasabi Energy Limited ("the Company"):

(a) the financial statements and notes and the remuneration disclosures that are contained in the remuneration report set out in pages 11 to 13 of the Directors' report, are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the Company's and the Group's financial position as at 30 June 2009 and of their performance, for the financial year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2(a);

(c) the remuneration disclosures that are contained in the remuneration report set out in pages 11 to 13 of the Directors' report comply with Australian Accounting Standard AASB 124 Related Party Disclosures; the Corporations Act 2001 and the Corporations Regulations 2001, and

(d) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2 The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the chief executive officer and company secretary for the financial year ended 30 June 2009.

Signed in accordance with a resolution of the directors:

Dated at Perth 1st October 2009.

John Byrne
Executive Chairman

Independent auditor's report to the members of Wasabi Energy Limited

Report on the financial report

We have audited the accompanying financial report of Wasabi Energy Limited (the company), which comprises the balance sheets as at 30 June 2009, and the income statements, statements of changes in equity and cash flow statements for the year ended on that date, a description of significant accounting policies and other explanatory notes and the directors' declaration of the Group comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes 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. In note 2, the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's responsibility

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

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

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards (including the Australian Accounting Interpretations), a view which is consistent with our understanding of the Company's and the Group's financial position and of their performance

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

KPMG

Independence

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

Auditor’s opinion

In our opinion:

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

(i) giving a true and fair view of the Company’s and the Group’s financial position as at 30 June 2009 and of their performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2.

Report on the remuneration report

We have audited the Remuneration Report included in the directors’ report for the year ended 30 June 2009. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor’s opinion

In our opinion, the remuneration report of Wasabi Energy Limited for the year ended 30 June 2009, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

Brent Steedman
Partner

Perth

1 October 2009

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: The directors of Wasabi Energy Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2009 there have been:

(i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit

(ii) no contraventions of any applicable code of professional conduct in relation to the audit

KPMG

KPMG

Brent Steedman
Partner

Perth

1 October 2009