Enerji Limited

ABN 62 009 423 189

Annual Financial Report

31 December 2009

Corporate Directory

DIRECTORS

Ian Campbell	(Non-Executive Chairman) Appointed 19 November 2009
Greg Pennefather	(Executive Director) Appointed 4 June 2009
Rolf Hasselström	(Non-Executive Director) Appointed 7 September 2009
Samantha Tough	(Non-Executive Director) Appointed 23 February 2010

COMPANY SECRETARY

Gregory MacMillan Appointed 2 September 2009

PRINCIPAL PLACE OF BUSINESS

Suite A5, 435 Roberts Rd
Subiaco WA 6008
Tel: (08) 6380 2354
Fax: (08) 6380 2495
Email: info@enerji.com.au

REGISTERED OFFICE

Level 22, Allendale Square
77 St George's Terrace
Perth WA 6000
Tel: (08) 9325 8888
Fax: (08) 9325 8088

SOLICITORS

Steinepreis Paganin
Level 4, 16 Milligan St
Perth WA 6000

SHARE REGISTER

Security Transfer Registrars Pty ltd
770 Canning Highway
Applecross WA 6153

AUDITORS

KPMG
235 St Georges Tce
Perth WA 6000

INTERNET ADDRESS

www.enerji.com.au

Contents

The directors present their report together with the financial report for Enerji Limited ("Enerji" or "the Company"), and of the Group, being the Company and its subsidiaries for the year ended 31 December 2009 and the auditor's report thereon.

1. Directors

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

The Hon Ian Campbell

Non Executive Chairman, Appointed 19 November 2009

The Hon. Ian Campbell's career spans both the private and public sector, combined with experience in the resource, environment, and energy industries. Mr Campbell has 17 years of Australian Government service, culminating in his appointment to the Federal Cabinet as Minister for Environment and Heritage. From 1996 through to 2007, he was a member of the Howard government Ministry. Serving as Parliamentary Secretary to the Treasurer (Peter Costello) for 4 years, he had responsibility for the Corporations Law Economic Reform Program. He attended the World Bank Board of Governors and IMF Annual meetings in 2002 and 2003. Mr Campbell served in a range of other portfolios in the Ministry and Cabinet as well as being a member of the Prime Minister's leadership group, the Expenditure Review Committee (Razor Gang) of Cabinet and Manager of Government Business in the Senate.

In addition to his public and former ministerial profile as a key member of the Australian Federal Government, Mr Campbell has had a distinguished business career. Prior to entering Parliament, he worked as an Executive Director of a major commercial and industrial property agency. Now returned to the private sector, Mr Campbell currently holds non-executive director positions for Austal Ltd, ASG Group Ltd, Solco Ltd, and Proto Resources and Investments Ltd. Mr Campbell is also Chairman of the North West Iron Ore Alliance (a private infrastructure group) and Chairman of the Princess Margaret Hospital Foundation.

Mr Greg Pennefather

Executive Director, Appointed 4 June 2009

Mr Pennefather is the founder of CoGen ORC Power and has been developing the business model and researching the technology for 2 years. He is an engineer by training and for the past 2 years he has been the principal consultant at leading Perth engineering consultancy, Titan Consultants.

Prior to joining Titan Consultants, Mr Pennefather has been involved in several start up businesses and served on the boards of ASX listed companies. He was a co-founder of Request Broadband which introduced DSL broadband into Australia.

Mr Rolf Hasselström

Non Executive Director, Appointed 7 September 2009

Mr Hasselström is the President and CEO of Opcon AB and holds a Master of Business Administration from the Stockholm School of Economics.

Mr Hasselström holds the following additional Board appointments: President of all companies in the Opcon Group, EKF Enskild Kapitalförvaltning AB; MNW Music Records Group; Lycknis AB; Calamus AB; Calamusgruppen AB; Svenska Rotor Holding AB; RMH Holding AB; Rolf Hasselström Konsult och Förvaltning AB; Landström Arkitekter AB; TPC Components AB; Rotor Estonia OÜ and GEP Action AB.

Ms Samantha Tough

Non Executive Director, Appointed 23 February 2010

Ms Tough has strong and well developed strategic, commercial and leadership skills as well as senior executive experience and high level capability in a wide range of industry including power, oil and gas, resources, engineering, venture capital, e-commerce, international telecommunications and law.

Recent executive positions in last 10 years include General Manager North West Shelf with Woodside Energy Ltd and Director of Strategy Hardman Resources Ltd. In 2008 Ms Tough was appointed by Premier's Department to lead the Pilbara Power Project in identifying and implementing a cooperative solution to expanding and accessing the power infrastructure in the Pilbara region.

Ms Tough is currently a professional director. In addition to her non executive directorship with Enerji Ltd, she is the Chairman of three companies that include Southern Cross Goldfields Ltd, RemCo Ltd and Structerre Pty Ltd. Ms Tough has extensive Board experience having held directorships on other private and public companies for over 10 years.

Mr Guy Le Page Non Executive Director, Appointed 20 March 2009, Resigned 12 March 2010

Mr Le Page is a Director & Corporate Adviser of RM Capital specialising in resources. He is actively involved in a range of corporate initiatives from mergers and acquisitions, initial public offerings to valuations, consulting and corporate advisory roles. Mr Le Page was Head of Research at Morgan Stockbroking Limited (Perth) prior to joining Tolhurst Noall as a Corporate Advisor in July of 1998. As a Resources Analyst, Mr Le Page published detailed research on various mineral exploration and mining companies listed on the Australian Stock Exchange. The majority of this research involved valuations of both exploration and production assets. Prior to entering the stockbroking industry, he spent 10 years as an exploration and mining geologist in Australia, Canada and the United States. His experience spans gold and base metal exploration and mining geology, and he has acted as a consultant to private and public companies. This professional experience included the production of both technical and valuation reports for resource companies. Mr Le Page is also a director of ASX listed public companies Red Sky Energy Ltd, Eden Energy Ltd, Tasman Resources Limited, Palace Resources Ltd and Fission Energy Ltd.

Mr Ross Smith Non Executive Director, Appointed 20 March 2009, Resigned 11 March 2010

Mr. Smith has many years experience as a corporate consultant specialising in the restructure and recapitalisation of a range of ASX-listed, public unlisted and private companies.

Mr Steven Bamford Non Executive Director, Resigned 19 June 2009

Mr. Bamford has been Western Australian State Sales Manager for industrial company – Doors Doors Doors. He has extensive knowledge in administrative, management, marketing, communication and franchise development.

Mr Jonathan Asquith Non Executive Director, Resigned 20 March 2009

Mr. Asquith is a Chartered Accountant with over 20 years corporate experience with major international accounting firms and commercial enterprises. He has held senior executive positions with a number of public and listed Australian companies. He completed a Masters of Business Administration at the University of Western Australia and experience in financial control and managing the strategic planning and development of businesses. He has been a Director of Mawson West Limited.

Mr Colin Barboutis Non Executive Director, Resigned 20 March 2009

Mr. Barboutis has experience in raising capital and has extensive knowledge in project management assisting companies in bringing projects to completion. He has been a Director of JVG Global Limited.

2. Company Secretary

Mr Greg MacMillan

Appointed 2 September 2009

Mr MacMillan has wide ranging corporate, financial, capital markets and commercial experience over the last 30 years. Greg has held the positions of director, company secretary, chief financial officer, and corporate finance executive in numerous companies across the finance, mining and commercial sectors. Mr MacMillan holds a Bachelor of Business degree, is a Certified Practicing Accountant and a Chartered Company Secretary.

Mr MacMillan is also Company Secretary for ASX listed companies Phylogica Limited and NT Resources Limited.

3. Principal activities

The principal activities during the year were focusing on the introduction, and establishment of green energy technology, and supply to Australian and international companies.

4. Operating and financial review

Operating Review

During the year the consolidated entity's operations involved the commencement of its business of international marketer of energy recovery and clean energy generation solutions. The commencement of its new business and associated set up and development during the period incurred significant costs.

Since the arrival of the first Opcon Powerbox in early November 2009, the Company has been focusing operations on its implementation at the Henderson Renewable Energy Facility.

Review of consolidated financial condition

The consolidated entity recorded an operating loss after income tax of $7,408,206 (2008: $676,531 loss). The net assets of the consolidated entity were $5,109,731 (2008: $349,142).

As at balance date the Group had cash available of $3,523,580 and has raised a further $2,535,970 subsequent to the reporting date.

Cash From Operations

The net cash outflow from operations of $2,080,515 is significantly larger than the cash outflow in the previous year of $272,835. The cash outflow was mainly due to payments to suppliers and employees and reflects the increased operations resulting from the change in the nature of the business activities of the Company.

The net cash outflow from operations were funded by capital raisings of $89,190 on 29 May 2009, $2,250,000 on 24 June 2009, $2,000,000 on 29 July 2009, $1,000,000 on 10 September 2009 and $1,947,319 from the conversion of options during the reporting period. Operations were also funded from the issue of $500,000 convertible notes on 29 May 2009, and $25,000 on 21 August 2009, all convertible notes were converted into shares and options during the reporting period. The cash balance at year end was $3,523,580.

Corporate Structure

Enerji is a company limited by shares that is incorporated and domiciled in Australia. Enerji has two fully owned subsidiaries Letharji Pty Ltd and Cogen Power Pty Ltd.

Capital Structure

As at the date of this report the Company had 588,440,915 fully paid ordinary shares and 59,737,701 options over ordinary shares on issue. The options have an exercise price of $0.20 and an expiry date of 31 December 2016.

5. Significant changes in the state of affairs

During the year, the Company entered into a Put and Call Option Deed with the sole shareholder (CoGen Shareholder) of Jamalcom Pty Ltd trading as CoGen ORC Power (CoGen) pursuant to which the Cogen Shareholder granted the Company an option to buy (Call Option), and the Company granted the Cogen Shareholder an option to sell, all of the issued capital in CoGen subject to certain terms and conditions.

CoGen holds the exclusive rights to market the Opcon Powerbox system in Australia, Malaysia, Thailand, Singapore and Sub-Saharan Africa.

On 14 September 2009, the Company exercised the Call Option. Completion of the acquisition of CoGen by the Company was subject to the Company obtaining shareholder approval for the acquisition and the Company recomplying with Chapters 1 and 2 of the Listing Rules.

The purchase consideration pursuant to the exercise of the call options was $5 million to be satisfied by the issue of 41,701,418 shares. On 1 December 2009 shareholders approved the acquisition of Cogen and on 19 January 2010 the Company completed the acquisition.

6. Dividends

There were no dividends paid or declared by the Company to members since the end of the previous financial year.

7. Events subsequent to reporting date

On 18 January 2009 the company raised $2,535,970 from the issue of 12,679,849 ordinary shares and 6,339,935 options under the prospectus dated 14 December 2009.

On 19 January 2010 the Company received approval for relisting on the ASX after complying with Chapters 1 and 2 of the ASX Listing Rules.

On 19 January 2010 the Group announced the completion of the acquisition of Jamalcom Pty Ltd trading as CoGen ORC Power and issued 41,701,418 shares. The consideration for the transaction amounts to $5 million. Underlying assets acquired were the Opcon Powerbox under installation of $930,580 and a prepayment to Opcon of $1,008,000 for five Generation 3 Powerboxes. The liability acquired is the loan payable to Enerji of $1,938,580. The remaining value is being attributed to the distribution agreement with Opcon. Management is undertaking a fair value of this in accordance with AASB3.

On 19 February 2010 Ross Smith resigned as Chief Executive Officer and received a cash termination payment of $430,750. On 11 March 2010 Ross Smith resigned as a Director of the Company.

On 23 February 2010 Samantha Tough was appointed a director of the Company.

On 12 March 2010 Guy Le Page resigned as a director of the Company.

Other than the matters discussed above there has not been since end of the financial year any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

8. Likely developments

The directors foresee that the 2010 financial year will build on the positive results achieved during 2009 and continue the focus on:

- Developing and marketing CoGen business;
- Market waste heat powered generation systems;

- Purchase and install Opcon Powerboxes;
- Operate the Company's power electricity generating business.

Further information about likely developments in the operations of the Group and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the Group.

9. Share options

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

Expiry date	Exercise price	Number of shares
31 Dec 2016	$0.20	59,737,711

Shares issued on exercise of options

During or since the end of the financial year, the Company issued ordinary shares as a result of the exercise of options as follows (there are no amounts unpaid on the shares issued):

Number of shares	Amount paid on each share
64,910,665	$0.03
7,540	$0.20

10. Remuneration report - Audited

Key management personnel have authority and responsibility for planning, directing and controlling the activities of the Company, including directors of the Company and other executives. During the reporting period key management personnel included the two executive directors Greg Pennefather and Ross Smith. Ross Smith resigned as a key management person on 19 February 2010.

Compensation levels for key management personnel of the Company are set competitively to attract and retain appropriately qualified and experienced directors and senior executives.

The compensation structures for executives are designed to attract suitably qualified candidates, reward the achievement of strategic objectives and achieve the broader outcome of the creation of value for shareholders. The compensation structures take into account the executives' capability and experience, level of responsibility and ability to contribute to the Company's performance, including, in particular, the establishment of revenue streams and growth in the Company's share price.

Fixed compensation consists of a base salary (calculated on a total cost basis, including any fringe benefits tax related to employee benefits) as well as employer contributions to superannuation funds. Compensation levels are reviewed annually by the remuneration committee through a process that considers individual and company achievement.

There was no performance linked remuneration during the reporting period. All securities issues to Key management and executive directors are approved by the shareholders in general meeting and therefore no performance hurdles were included.

The Company changed its business during the reporting period so there is only a short history of the compensation structure. The remuneration committee and the directors consider that the Company's progress to date and the share price levels achieved do not provide any indication that the compensation structure is inappropriate.

The key management person of the Company as at the date of this report being Greg Pennefather, who is a full time employee, is employed under an executive services agreement, there is no specific term under the agreement. Greg Pennefather may terminate the agreement without cause by giving written notice of three months and the Company may terminate the agreement by giving written notice of 12 months or a termination payment of 12 months fees.

The aggregate cash remuneration of all non-executive directors was set at $400,000 per annum at a general meeting held on 1 December 2009. The Company makes contributions at the statutory minimum rate to superannuation funds nominated by directors, in addition to the base fee. Directors' fees cover all main board activities and committee memberships. All securities issues to non-executive directors are approved by the shareholders in general meeting.

Details of the nature and amount of each element of remuneration of each director (including key management personnel) of the Company are:

in AUD		Salary & fees $	Other benefits $	Total $	Share and options based payments [1] $	Value of shares & options as proportion of remuneration
Directors						
Non-executive						
Ian Campbell (Chairperson)	2009	12,577	-	12,577	-	-
(appointed 19 Nov 09)	2008	-	-	-	-	-
Rolf Hasselström	2009	15,696	-	15,696	386,800	96.1%
(appointed 7 Sep 09)	2008	-	-	-	-	-
Samantha Tough	2009	-	-	-	-	-
(appointed 23 Feb 10)	2008	-	-	-	-	-
Executive						
Greg Pennefather, CEO	2009	156,346	-	156,346	1,875,000	92.3%
(appointed 4 Jun 09)	2008	-	-	-	-	-
Former						
Steven Bamford	2009	16,072	-	16,072	-	-
(resigned 19 Jun 09)	2008	15,743	-	15,743	-	-
Jonathan Asquith	2009	14,153	-	14,153	-	-
(resigned 20 Mar 09)	2008	27,000	-	27,000	-	-
Colin Barboutis	2009	175,250	-	175,250	-	-
(resigned 20 Mar 09)	2008	28,500	-	28,500	-	-
Guy Le Page	2009	26,853	-	26,853	185,141	87.3%
(appointed 20 Mar, resigned 12 March 2010)	2008	-	-	-	-	-
Ross Smith	2009	243,112	24,472	267,584	1,272,641	82.6%
(appointed 20 Mar, resigned 11 March 2010)	2008	-	-	-	-	-

[1] Share and options based payments comprise Rolf Hasselström 4,000,000 options ($386,800), Greg Pennefather 15,000,000 shares ($1,875,000), Guy Le Page 4,000,000 options ($185,141), Ross Smith 15,000,000 performance shares and 4,000,000 options ($1,272,641).

There were no short term incentives, non monetary, post employment, long term, termination or performance benefits received by key management and the directors, accordingly this information is not included in the above table.

The overall level of key management personnel and director compensation would normally take into account the performance of the Group over a number of years. During the reporting period there has been a material change in the nature of the business of the Group and all key management personnel and directors have changed, accordingly there has been no historical performance analysis of the Group and remuneration provided.

The shares and options were issued as an alternate remuneration to cash, to provide consideration for their ongoing commitment and contribution to the Company. As such there was no employment performance conditions related to the shares and options or cash remuneration provided during the period.

The Board does not have a policy that restricts the holders of securities issued as share based payments as part of their remuneration from entering into other arrangements that limit their exposure to losses that would result from share price decreases. The Board is not aware of any holder entering into any such arrangements.

Greg Pennefather was provided with share based remuneration of 15,000,000 ordinary shares approved by shareholders on 7 September 2009. The shares were valued at $1,875,000 using a share price of $0.125 each on the date of issue being 7 September 2009.

Ross Smith was provided with share based remuneration of 15,000,000 performance shares and 4,000,000 options as approved by shareholders on 29 May 2009. The performance shares were valued at $1,087,500 and the options were valued at $185,141 using a Black Scholes option-pricing model. On 26 June 2009 the performance shares and options were gifted to Dark Dragon Holdings Pty Ltd. The performance shares were convertible into ordinary shares upon the volume weighted price of ordinary shares traded on the ASX over 20 consecutive days being at least 3 cents for 5,000,000 of the performance shares, 6 cents for 5,000,000 of the performance shares, and 9 cents for 5,000,000 of the performance shares. The performance shares were converted to ordinary shares on 28 July 2009 after the milestones for their conversion had been met.

On 19 February 2010 Ross Smith resigned as Chief Executive Officer and received a cash termination payment of $430,750. On 11 March 2010 Ross Smith resigned as a Director of the Company.

Guy Le Page was provided with share based remuneration of 4,000,000 options as approved by shareholders on 29 May 2009. The options were valued at $185,141 using a Black Scholes option-pricing model. On 12 March 2010 Guy Le Page resigned as a Director of the Company.

Rolf Hasselström was provided with share based remuneration of 4,000,000 options as approved by shareholders on 7 September 2009. The options were valued at $386,800 using a Black Scholes option-pricing model.

Details on options over ordinary shares in the Company that were granted as compensation to directors during the reporting period are as follows:

	Number of options granted during 2009	**Grant date**	**Fair value at grant date ($)**	**Exercise price per option ($)**	**Expiry date**
Ross Smith	4,000,000	29 May 2009	185,141	0.03	31 Dec 2016
Guy Le Page	4,000,000	29 May 2009	185,141	0.03	31 Dec 2016
Rolf Hasselström	4,000,000	7 Sep 2009	386,800	0.03	31 Dec 2016

All options issued during the reporting period as compensation were vested upon granting and have been exercised during the period. No options have been granted since the end of the financial year. The options were provided at no cost to the recipients. There are no amounts unpaid on the shares issued as a result of the exercise of the options in the 2009 financial year. On 1 December 2009 shareholders approved the removal of the conversion milestones relating to the options issued to Rolf Hasselström and the options were converted on that day.

During the reporting period, the following shares were issued to directors on the exercise of options previously granted as compensation:

	Number of shares	Amount paid $/share	Value of options exercised in year $
Guy Le Page	4,000,000	0.03	760,000
Rolf Hasselström	4,000,000	0.03	760,000

The 4,000,000 options granted to Ross Smith during the reporting period were gifted to Dark Dragon Holdings Pty Ltd. These options were subsequently exercised.

The value of options exercised during the year is calculated as the market price of shares of the Company as at close of trading on the date the options were exercised after deducting the price paid to exercise the option.

Details of performance shares in the Company that were granted as compensation to directors during the reporting period are as follows:

	Number of shares granted during 2009	Grant date	Fair value at grant date ($)
Ross Smith	15,000,000	29 May 2009	1,087,500

Details of ordinary shares in the Company that were granted as compensation to directors during the reporting period are as follows:

	Number of shares granted during 2009	Grant date	Fair value at grant date ($)
Greg Pennefather	15,000,000	7 Sep 2009	1,875,000

Other than noted above no terms of equity-settled share based payment transactions (including options granted as compensation to a key management person or director) have been altered or modified by the Company during the reporting period.

During the reporting period no payments were made to a person before the person took office as part of the consideration for the person agreeing to hold office.

11. Directors' interests

The relevant interest of each director in the shares and options issued by the Company, as notified by the directors to the ASX in accordance with S205G(1) of the Corporations Act 2001, at the date of this report is as follows:

	Ordinary shares	Options over ordinary shares
I Campbell	-	-
G Pennefather[1]	56,701,718	1,500,000
R Hasselström	4,000,000	400,000
S Tough	-	-

[1] 15,000,000 of the shares and 1,500,000 of the options are held by Jamalexal Pty Ltd <The Jamal Trust Account> of which Mr Pennefather is a director, shareholder, and beneficiary.

All of the options held by directors at the date of this report were received in their capacity as shareholders of the Company pursuant to the bonus options issue completed on 21 December 2009.

It is proposed to seek shareholder approval for the issue of 2,000,000 options each to Ian Campbell and Samantha Tough.

12. Directors' meetings

The number of directors' meetings (including meetings of committees of directors) and number of meetings attended by each of the directors of the Company during the financial year are:

Director	Board Meetings		Audit Committee Meetings		Remuneration Committee Meetings	
	A	B	A	B	A	B
Ian Campbell	-	-	-	-	-	-
Greg Pennefather	5	5	-	-	-	-
Guy Le Page	8	8	-	-	-	-
Rolf Hasselström	1	1	-	-	-	-
Samantha Tough	-	-	-	-	-	-
Ross Smith	8	8	-	-	-	-
Steven Bamford	4	5	-	-	-	-
Jonathan Asquith	1	1	-	-	-	-
Colin Barboutis	2	2	-	-	-	-

A - Number of meetings attended, B - Number of meetings held during the time the director held office during the year. The remuneration committee and audit committee have only recently been formed. During the financial year the Board, as a whole, dealt with areas that would normally fall within the charge of the remuneration committee and audit committee.

13. Indemnification and insurance of officers and auditors Indemnification

The Company has not during the reporting period, other that noted below, in respect of any person who is or has been a director, officer or auditor of the Company indemnified or made any relevant agreement for indemnifying against a liability incurred as a director or officer including costs and expenses of successfully defending legal proceedings.

The Company has on 12 March 2010 agreed to indemnify the current directors of the Company as at the date of this report against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as directors of the company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

The Company has also agreed to indemnify the current directors of its controlled entities for all liabilities to another person (other than the Company or a related body corporate) that may arise from their position, except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

The Company has not, during or since the reporting period, paid or agreed to pay insurance premiums in respect of directors' and officers' liability and legal expenses' insurance contracts. The Company is currently seeking quotation for appropriate directors' and officers' liability and legal expenses' insurance contracts pursuant to the indemnity provided to current directors on 12 March 2010.

14. Environmental regulation and performance

The Consolidated Entity is not currently subject to any specific environmental regulations. There have not been any known significant breaches of any environmental regulations during the year under review and up to the date of this report.

15. Proceedings on behalf of the Company

Goldenwire Investments Pty Ltd (ACN 089 370 347), a company associated with former director, Colin Barboutis, as Trustee for the Goldenwire Trust (Goldenwire) commenced proceedings against Enerji by Writ of Summons out of the Supreme Court of Western Australia on 1 July 2009 in Action CIV 2203 of 2009 (Action). Enerji is defending the Action and denies that Goldenwire is entitled to the relief claimed, or any relief at all.

16. Corporate governance statement

In recognizing the need for the highest standards of corporate behavior and accountability, the directors support the principles of good corporate governance. The Company's Corporate Governance Statement is contained at the end of the annual report.

17. Lead auditor's independence declaration

The Lead auditor's independence declaration is set out on page 45 and forms part of the directors' report for the financial year ended 31 December 2009.

18. Auditors remuneration

There were no non audit services provided by the auditors during the reporting period. The auditors' remuneration is disclosed in Note 28 to the financial statements.

This report is made with a resolution of the directors:

Greg Pennefather

Director

Dated 31 March 2010.

Enerji Limited

Statements of financial position

As at 31 December 2009

AUD	***Note***	**Consolidated 2009**	**Consolidated 2008**	**Company 2009**	**Company 2008**
Assets					
Cash and cash equivalents	*8*	3,523,580	275,849	3,518,918	76,126
Other receivables	*9*	7,610	4,656	7,610	4,640
Other investments	*10*	-	100,000	-	100,000
Prepayments		-	6,519	-	6,519
Total current assets		3,531,190	387,024	3,526,528	187,285
Other receivables	*9*	1,938,580	-	1,938,580	-
Other investments	*10*	-	-	101	1
Property, plant and equipment	*11*	107,824	5,119	107,824	5,119
Total non-current assets		2,046,404	5,119	2,046,505	5,120
Total assets		5,577,594	392,143	5,573,033	192,405
Liabilities					
Trade and other payables	*12*	467,863	43,001	467,863	42,655
Total current liabilities		467,863	43,001	467,863	42,655
Total liabilities		467,863	43,001	467,863	42,655
Net assets		5,109,731	349,142	5,105,170	149,750
Equity					
Share capital	*13*	36,262,679	28,644,962	36,262,679	28,644,962
Reserves	*14*	4,931,738	380,660	4,931,738	380,660
Retained earnings		(36,084,686)	(28,676,480)	(36,089,247)	(28,875,872)
Total equity		5,109,731	349,142	5,105,170	149,750

The notes on pages 16 to 41 are an integral part of these consolidated financial statements.

Enerji Limited

Statements of comprehensive income

For the year ended 31 December 2009

AUD	***Note***	**Consolidated 2009**	**Consolidated 2008**	**Company 2009**	**Company 2008**
Continuing operations					
Employment costs	*15*	(279,028)	-	(279,028)	-
Directors payments		(684,531)	(86,243)	(684,531)	(86,243)
Share based payments	*16*	(4,551,078)	-	(4,551,078)	-
Consulting and professional costs		(337,010)	(152,646)	(337,010)	(151,656)
Impairment and settlement costs	*17*	(457,624)	(325,000)	(262,794)	144,466
Legal costs		(218,950)	(6,762)	(218,950)	(6,762)
Travel costs		(376,294)	(29,103)	(376,294)	(29,103)
Listing and registry costs		(133,464)	-	(133,464)	-
Other expenses		(420,462)	(103,555)	(420,462)	(102,646)
Results from operating activities		(7,458,441)	(703,309)	(7,263,611)	(231,944)
Finance income	*18*	50,235	26,778	50,235	6,159
Finance costs		-	-	-	-
Net finance income		50,235	26,778	50,235	6,159
Loss before income tax		(7,408,206)	(676,531)	(7,213,376)	(225,785)
Income tax expense	*19*	-	-	-	-
Loss from continuing operations		(7,408,206)	(676,531)	(7,213,376)	(225,785)
Loss for the period		(7,408,206)	(676,531)	(7,213,376)	(225,785)
Other comprehensive income for the period, net of income tax		-	-	-	-
Total comprehensive income for the period		(7,408,206)	(676,531)	(7,213,376)	(225,785)
Loss and comprehensive income for the period		(7,408,206)	(676,531)	(7,213,376)	(225,785)
Earnings per share					
Basic and diluted earnings per share	*22*	($0.028)			

The notes on pages 16 to 41 are an integral part of these consolidated financial statements.

Statements of changes in equity

Consolidated		**Attributable to equity holders of the Company**			
AUD	***Note***	**Share capital**	**Reserves**	**Retained earnings**	**Total equity**
Balance at 1 January 2008		28,382,410	380,660	(27,999,949)	763,121
Total comprehensive income for the period					
Loss		-	-	(676,531)	(676,531)
Total comprehensive income for the period		-	-	(676,531)	(676,531)
Transactions with owners, recorded directly in equity					
Contributions by and distributions to owners					
Issue of ordinary shares	*13*	262,552	-	-	262,552
Total transactions with owners		262,552	-	-	262,552
Balance at 31 December 2008		28,644,962	380,660	(28,676,480)	349,142
Balance at 1 January 2009		28,644,962	380,660	(28,676,480)	349,142
Total comprehensive income for the period					
Loss		-	-	(7,408,206)	(7,408,206)
Total comprehensive income for the period		-	-	(7,408,206)	(7,408,206)
Transactions with owners, recorded directly in equity					
Contributions by and distributions to owners					
Issue of ordinary shares related to business combination	*7 / 13*	172,500	-	-	172,500
Issue of ordinary shares, net of costs	*13*	4,972,899	-	-	4,972,899
Issue of convertible notes	*13*	525,000	-	-	525,000
Share-based payment transactions	*16*	-	4,551,078	-	4,551,078
Share options exercised	*13*	1,947,318	-	-	1,947,318
Total transactions with owners		7,617,717	4,551,078	-	12,168,795
Balance at 31 December 2009		36,262,679	4,931,738	(36,084,686)	5,109,731

The notes on pages 16 to 41 are an integral part of these consolidated financial statements.

Statements of changes in equity

Company		**Attributable to equity holders of the Company**			
AUD	***Note***	**Share capital**	**Reserves**	**Retained earnings**	**Total equity**
Balance at 1 January 2008		28,382,410	380,660	(28,650,087)	112,982
Total comprehensive income for the period					
Loss		-	-	(225,785)	(225,785)
Total comprehensive income for the period		-	-	(225,785)	(225,785)
Transactions with owners, recorded directly in equity					
Contributions by and distributions to owners					
Issue of ordinary shares	*13*	262,552	-	-	262,552
Total transactions with owners		262,552	-	-	262,552
Balance at 31 December 2008		28,644,962	380,660	(28,875,872)	149,750
Balance at 1 January 2009		28, 644,962	380,660	(28,875,872)	149,750
Total comprehensive income for the period					
Loss		-	-	(7,213,375)	(7,213,375)
Total comprehensive income for the period		-	-	(7,213,375)	(7,213,375)
Transactions with owners, recorded directly in equity					
Contributions by and distributions to owners					
Issue of ordinary shares related to business combination	*7 / 13*	172,500	-	-	172,500
Issue of ordinary shares, net of costs	*13*	4,972,899	-	-	4,972,899
Issue of convertible notes	*13*	525,000	-	-	525,000
Share-based payment transactions	*16*	-	4,551,078	-	4,551,078
Share options exercised	*13*	1,947,318	-	-	1,947,318
Total transactions with owners		7,617,717	4,551,078	-	12,168,795
Balance at 31 December 2009		36,262,679	4,931,738	(36,089, 247)	5,105,170

The notes on pages 16 to 41 are an integral part of these consolidated financial statements.

Enerji Limited

Statements of cash flows

For the year ended 31 December 2009

		Consolidated		Company	
AUD	***Note***	**2009**	**2008**	**2009**	**2008**
Cash flows from operating activities					
Cash paid to suppliers and employees		(2,080,515)	(272,835)	(2,080,285)	(272,085)
Net cash used in operating activities	*21*	(2,080,515)	(272,835)	(2,080,285)	(272,085)
Cash flows from investing activities					
Interest received		50,235	26,778	50,235	6,157
Acquisition of subsidiary, net of cash acquired		(150,000)	(425,000)	(150,000)	(425,000)
Acquisition of property, plant and equipment		(112,627)	(6,432)	(112,627)	(6,432)
Loans to related party		(1,938,580)	-	(1,938,580)	-
Repayment of loans to subsidiaries		-	-	-	469,466
Subsidiary loan received		-	-	194,830	-
Net cash used in investing activities		(2,150,972)	(404,654)	(1,956,142)	44,191
Cash flows from financing activities					
Proceeds from issue of share capital		5,365,440	200,000	5,365,440	200,000
Proceeds from issue of convertible notes		525,000	-	525,000	-
Proceeds from exercise of share options		1,947,319	-	1,947,319	-
Payment of transaction costs		(392,541)	(32,046)	(392,541)	(32,046)
Proceeds for issue of share capital received in advance		34,000	-	34,000	-
Net cash from (used in) financing activities		7,479,218	167,954	7,479,218	167,954
Net decrease in cash and cash equivalents		3,247,731	(509,535)	3,442,791	(59,940)
Cash and cash equivalents at 1 January		275,849	785,384	76,126	136,066
Cash and cash equivalents at 31 December	*8*	3,523,580	275,849	3,518,917	76,126

The notes on pages 16 to 41 are an integral part of these consolidated financial statements.

1. Reporting entity

Enerji Limited (the "Company") is a company domiciled in Australia. The address of the Company's registered office is Level 22 Allendale Square, 77 St Georges Tce, Pert WA 6000. The consolidated financial statements of the Company as at and for the year ended 31 December 2009 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities"). The Group primarily is involved in the international marketing of energy recovery and clean energy generation solutions.

2. Basis of preparation

(a) Statement of compliance

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 interpretations adopted by the International Accounting Standards Board (IASB).

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following material items in the statement of financial position:

- liabilities for cash-settled share-based payment arrangements are measured at fair value.

(c) Functional and presentation currency

These consolidated financial statements are presented in Australian dollars, which is each of the Company's functional currency.

(d) Use of estimates and judgements

The preparation of financial statements in conformity with AASBs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, 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 estimates are revised and in any future periods affected.

Information about assumptions and estimations are included in Notes 7 Acquisition of subsidiary, 10 Other investments, 11 Property plant and equipment, 16 Share based payments, 17 Impairment and settlement costs, 20 Deferred tax assets, 26 Financial instruments.

(e) Changes in accounting policies

Starting as of 1 January 2009, the Group has changed its accounting policies in the following areas:

- Accounting for business combinations
- Accounting for borrowing costs
- Determination and presentation of operating segments
- Presentation of financial statements.

The changes have been made pursuant to the change in business of the Group during the reporting period.

(f) Going Concern

The financial statements have been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and liabilities in the ordinary course of business. In the period ended 31 December 2009 the Company recorded a net loss of $7,213,376 and a net operating cash outflow of $2,080,285. The Company has a working capital surplus (net current assets) of $3,058,665 at 31 December 2009. At 31 December 2009 the Company held cash of $3,518,918, including $34,000 held in the share application account. Following the end of the period a further net $2,501,970 was received in finalisation of a capital raising announced on 19 January 2009 of $2,535,970.

As at 31 December 2009 the Company had 53,405,316 December listed options exercisable at $0.20.

Currently the Group does not have a source of income, however the Directors have forecast that it has sufficient cash to meet its requirements for the foreseeable future. Accordingly any expenditure over and above the Company's forecast will need to be funded through additional equity raisings, suitable debt finance or an appropriate mix of both.

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.

The company and group have adopted the following accounting standards and amendments:

- Revised AASB 3 *Business Combinations* (2008)
- Amended AASB 127 *Consolidated and Separate Financial Statements* (2008)

(a) Basis of consolidation

(i) Business combinations

Change in accounting policy

The Group has adopted revised AASB 3 *Business Combinations* (2008) and amended AASB 127 *Consolidated and Separate Financial Statements* (2008) for business combinations occurring in the financial year starting 1 January 2009. All business combinations occurring on or after 1 January 2009 are accounted for by applying the acquisition method. The change in accounting policy is applied prospectively and had no material impact on earnings per share.

For every business combination, the Group identifies the acquirer, which is the combining entity that obtains control of the other combining entities or businesses. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable. The acquisition date is the date on which control is transferred to the acquirer. Judgement is applied in determining the acquisition date and determining whether control is transferred from one party to another.

Measuring goodwill

The Group measures goodwill as the fair value of the consideration transferred less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date.

Consideration transferred includes the fair values of the assets transferred, liabilities incurred by the Group to the previous owners of the acquiree, and equity interests issued by the Group. Consideration transferred also includes the fair value of any contingent consideration.

Contingent liabilities

A contingent liability of the acquiree is assumed in a business combination only if such a liability represents a present obligation and arises from a past event, and its fair value can be measured reliably.

Transaction costs

Transaction costs that the Group incurs in connection with a business combination, such as finder's fees, legal fees, due diligence fees, and other professional and consulting fees, are expensed as incurred.

(ii) Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group. In the Company's financial statements, investments in subsidiaries are carried at cost.

(iii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of 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 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 reporting 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, a financial liability designated as a hedge of the net investment in a foreign operation, or qualifying cash flow hedges, which are recognised in other comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

(c) Financial instruments

(i) Non-derivative financial assets

The Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group has the following non-derivative financial assets.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses. Loans and receivables comprise trade and other receivables.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less.

(ii) Non-derivative financial liabilities

The Group initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument. The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group has non-derivative financial liabilities comprising trade and other payables which are recognised at cost.

(iii) Share capital

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.

(d) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs. Cost also may include transfers from other comprehensive income of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within other income in profit or loss. When revalued assets are sold, the amounts included in the revaluation reserve are transferred to retained earnings.

Change in accounting policy

In respect of borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009, the Group capitalises borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. Previously the Group immediately recognised all borrowing costs as an expense. This change in accounting policy was due to the adoption of AASB 123 *Borrowing Costs* (2007). The change in accounting policy had no material impact on the Company.

(ii) Subsequent costs

The cost of replacing a part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

The estimated useful lives for the current and comparative periods are as follows:

- Plant and equipment 5 years
- Computers 4 years
- Fixtures and fittings 10 years
- Major components 10 - 15 years.

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

(e) Intangible assets

(i) Goodwill

Change in accounting policy

As from 1 January 2009, the Group has adopted the revised AASB 3 *Business Combinations* (2008) and the amended AASB 127 *Consolidated and Separate Financial Statements* (2008). Revised AASB 3 and amended AASB 127 have been applied prospectively to business combinations with an acquisition date on or after 1 January 2009.

The change in accounting policy had no material impact on the Company. Goodwill is measured at cost less accumulated impairment losses.

(ii) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in profit or loss as incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalised includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use, and capitalised borrowing costs. Other development expenditure is recognised in profit or loss as incurred.

Capitalised development expenditure is measured at cost less accumulated amortisation and accumulated impairment losses.

(f) Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and, are not recognised in the Group's statement of financial position.

(g) Impairment

(i) Financial assets (including receivables)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

The Group considers evidence of impairment for receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified.

In assessing collective impairment the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

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 asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than 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 useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

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 that cannot be tested individually 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 or groups of assets (the “cash-generating unit”). Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

The Group’s corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

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

An impairment loss in respect of goodwill 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 estimates 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 no impairment loss had been recognised.

Goodwill that forms part of the carrying amount of an investment in an associate is not recognised separately, and therefore is not tested for impairment separately. Instead, the entire amount of the investment in an associate is tested for impairment as a single asset when there is objective evidence that the investment in an associate may be impaired.

(h) Employee benefits

(i) Termination benefits

Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Group has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting period, then they are discounted to their present value.

(ii) Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(iii) Share-based payment transactions

The grant date fair value of share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity.

Share-based payment arrangements in which the Group receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions, regardless of how the equity instruments are obtained by the Group.

(i) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

(j) Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

(k) Finance income and finance costs

Finance income comprises interest income on funds invested 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.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, changes in the fair value of financial assets at fair value through profit or loss and impairment losses recognised on financial assets. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

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

(l) Income tax

Income tax expense comprises current and deferred tax. Current and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

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

Deferred tax is recognised in respect of 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 assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and associates and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they 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 tax expenses that arise from the distribution of cash dividends are recognised at the same time that the liability to pay the related dividend is recognised. The Group does not distribute non-cash assets as dividends to its shareholders.

(m) Goods and services tax

Revenue, 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 taxation authority. 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.

(n) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding adjusted for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

(o) Segment reporting

Determination and presentation of operating segments

As of 1 January 2009 the Group determines and presents operating segments based on the information that internally is provided to the CEO, who is the Group's chief operating decision maker. This change in accounting policy is due to the adoption of AASB 8 *Operating Segments*. Previously operating segments were determined and presented in accordance with AASB 114 *Segment Reporting*. The new accounting policy in respect of segment operating disclosures is presented as follows.

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are regularly reviewed by the

Group's CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Company's headquarters), head office expenses, and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

(p) Presentation of financial statements

The Group applies revised AASB 101 *Presentation of Financial Statements* (2007), which became effective as of 1 January 2009. As a result, the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income.

Comparative information has been re-presented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

(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 2009, but have not been applied in preparing this financial report.

- AASB 2009-5 *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 2010 financial statements, are not expected to have a significant impact on the financial statements.
- AASB 2009-8 *Amendments to Australian Accounting Standards - Group Cash-settled Share-based Payment Transaction*s resolves diversity in practice regarding the attribution of cash-settled share-based payments between different entities within a group. As a result of the amendments AI 8 *Scope of AASB 2* and AI 11 *AASB 2 - Group and Treasury Share Transactions* will be withdrawn from the application date. The amendments, which become mandatory for the Group's 31 December 2010 financial statements, are not expected to have a significant impact on the financial statements.

4. Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(i) Property, plant and equipment

The fair value of property, plant and equipment recognised as a result of a business combination is based on market values. The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, and willingly. The market value of items of plant, equipment, fixtures and fittings is based on the market approach and cost approaches using quoted market prices for similar items when available and replacement cost when appropriate.

(ii) Inventories

The fair value of inventories acquired in a business combination is determined based on its estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

(iii) Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes.

(iv) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. In respect of the liability component of convertible notes, the market rate of interest is determined by reference to similar liabilities that do not have a conversion option. For finance leases the market rate of interest is determined by reference to similar lease agreements.

(v) Share-based payment transactions

The fair value of options issued as share-based payment are measured using the Black-Scholes formula. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds).

The fair value of performance shares issued as share-based payment is based on the fair value of performance options granted, which is measured using a Black-Scholes formula. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds).

The fair value of the shares issued as share-based payment are measured based on the share price on the date of issue.

5. Financial risk management

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The executive directors are responsible for developing and monitoring risk management policies and report regularly to the Board of Directors on their activities. Details of credit risk, liquidity risk, currency risk, interest rate risk and capital management are disclosed in Note 26 to the financial statements.

6. Operating segments

The Group has one reportable segment which is the Group's strategic business unit. The Company's business of international marketer of energy recovery and clean energy generation solutions during the reporting period was only in Australia.

7. Acquisitions of subsidiary

On 7 September 2009 the Group obtained 100% interest and control of Cogen Power Pty Ltd. Cogen Power had no assets or liabilities as at the date of acquisition, the company was acquired in settlement of an agreement with Jabiru Metals Limited.

The total consideration for the acquisition was $150,000 paid in cash and the issue of 1,500,000 shares. The value attributed to the shares was $172,500 based on the share price of $0.115 on the day the shares were approved for issue by shareholders of the Company on 7 September 2009.

The total acquisition cost of $322,500 was expensed in total during the reporting period and is included in impairment and settlement costs, refer to Note 17.

8. Cash and cash equivalents

	Consolidated		Company	
AUD	**2009**	**2008**	**2009**	**2008**
Bank balances	3,523,580	275,849	3,518,918	76,126
Cash and cash equivalents	3,523,580	275,849	3,518,918	76,126
Cash and cash equivalents in the statement of cash flows	3,523,580	275,849	3,518,918	76,126

9. Other receivables

	Consolidated		Company	
AUD	**2009**	**2008**	**2009**	**2008**
Current receivables				
Other receivables	7,610	4,656	7,610	4,640
	7,610	4,656	7,610	4,640
Non-current receivables				
Loans to related party	1,938,580	-	1,938,580	-
	1,938,580	-	1,938,580	-

The loan to related party relates to the funds advanced to Jamalcom Pty Ltd trading as CoGen ORC Power to acquire and install power generation equipment to a maximum of $2,900,000. The loan is by way of an interest free facility of which $1,800,000 is secured by way of a charge over the assets of Jamalcom Pty Ltd trading as CoGen ORC Power, the balance of the loan is unsecured. On 1 December 2009 shareholders approved the acquisition of Jamalcom Pty Ltd trading as CoGen ORC Power and on 19 January 2010 the Company completed the acquisition.

10. Other investments

	Consolidated		Company	
AUD	**2009**	**2008**	**2009**	**2008**
Current investments				
Other investment	-	100,000	-	100,000
	-	100,000	-	100,000

The current investment shown in the previous year relates to an agreement to acquire Water Un Limited which was terminated in July 2009. The directors have reviewed the carrying amount of this financial asset and considered that the amount is not recoverable. This impairment loss has been recorded in impairment and settlement costs, refer to Note 17.

Group entities

Parent entity			**Ownership interest**	
Enerji Limited	**2009**	**2008**	**2009**	**2008**
Subsidiaries				
Lethajri Pty Ltd	$1	$1	100%	100%
Cogen Power Pty Ltd	$100	-	100%	-

On 19 January 2010 the Group acquired 100% of Jamalcom Pty Ltd trading as CoGen ORC Power.

11. Property, plant and equipment

	Consolidated			**Company**		
AUD	**Plant and equipment**	**Fixtures and fittings**	**Total**	**Plant and equipment**	**Fixtures and fittings**	**Total**
Cost						
Balance at 1 Jan 2008	-	-	-	-	-	-
Additions	6,432	-	6,432	6,432	-	6,432
Disposals	-	-	-	-	-	-
Balance at 31 Dec 2008	6,432	-	6,432	6,432	-	6,432
Balance at 1 Jan 2009	6,432	-	6,432	6,432	-	6,432
Additions	69,007	43,620	112,627	69,007	43,620	112,627
Written off	(6,432)	-	(6,432)	(6,432)	-	(6,432)
Balance at 31 Dec 2009	69,007	43,620	112,627	69,007	43,620	112,627

	Consolidated			**Company**		
AUD	**Plant and equipment**	**Fixtures and fittings**	**Total**	**Plant and equipment**	**Fixtures and fittings**	**Total**
Depreciation						
Balance at 1 Jan 2008	-	-	-	-	-	-
Depreciation for the year	1,313	-	1,313	1,313	-	1,313
Disposals	-	-	-	-	-	-
Balance at 31 Dec 2008	1,313	-	1,313	1,313	-	1,313
Balance at 1 Jan 2009	1,313	-	1,313	1,313	-	1,313
Depreciation for the year	5,871	527	6,398	5,871	527	6,398
Written off	(2,908)	-	(2,908)	(2,908)	-	(2,908)
Balance at 31 Dec 2009	4,276	527	4,803	4,276	527	4,803

	Consolidated			Company		
AUD	**Plant and equipment**	**Fixtures and fittings**	**Total**	**Plant and equipment**	**Fixtures and fittings**	**Total**
Carrying amounts						
at 1 January 2008	-	-	-	-	-	-
at 31 December 2008	5,119	-	5,119	5,119	-	5,119
at 1 January 2009	5,119	-	5,119	5,119	-	5,119
at 31 December 2009	64,731	43,093	107,824	64,731	43,093	107,824

12. Trade and other payables

	Consolidated		Company	
AUD	**2009**	**2008**	**2009**	**2008**
Trade payables	285,508	39,974	285,508	39,628
GST Tax payable	26,106	-	26,106	-
Accrual	120,391	-	120,391	-
Capital raising funds received in advance	34,000	-	34,000	-
Employee related payables	1,858	3,027	1,858	3,027
	467,863	43,001	467,863	42,655

Increase in trade and other payables during the period comprise $433,863 from operating activities and $34,000 from financing activities.

13. Share capital

	Ordinary shares		Ordinary shares	
	2009	**2008**	**2009 $**	**2008 $**
On issue / balance at 1 January	84,943,879	69,943,879	28,644,962	28,382,410
Issued for cash	275,241,429	15,000,000	5,339,190	300,000
Costs for shares issued for cash	-	-	(392,541)	(37,448)
Issued for services	11,118,025	-	26,250	-
Issued for directors compensation	15,000,000	-	-	-
Issued on conversion of performance shares	15,000,000	-	-	-
Issued on conversion of convertible notes	66,338,110	-	525,000	-
Issued as settlement costs	1,500,000	-	172,500	-
Exercise of share options	64,910,665	-	1,947,318	-
On issue at 31 December	534,052,108	84,943,879	36,262,679	28,644,962

The shares issued for services and for directors compensation were issued as share based payments, refer Note 16. No funds were received on their issue.

	Options	
	2009	**2008**
On issue at 1 January	1,196,600	1,196,600
Lapsed during the period	(1,196,600)	
Issued with shares issued for cash	12,741,429	-
Issued for services	7,000,000	-
Issued for directors compensation	12,000,000	-
Issued on conversion of convertible notes	33,169,236	-
Issued as bonus options	53,405,316	-
	118,315,981	1,196,600
Options exercised	(64,910,665)	-
On issue / balance at 31 December	53,405,316	1,196,600

All options on issue as at 31 December 2009 are exercisable at $0.20 and have an expiry date of 31 December 2016.

In May 2009 shareholders approved the issue:

- for cash 12,741,429 shares at $0.007 per share with 12,741,429 free attaching options with an exercise price of $0.03 each and expiry date of 31 December 2016,
- for services of 7,000,000 shares at nil consideration with 7,000,000 free attaching options with an exercise price of $0.03 each and expiry date of 31 December 2016,
- for directors compensation 15,000,000 performance shares, during the reporting period 15,000,000 shares were issued for the conversion of all performance shares,
- for cash 525,000 convertible notes at $1.00 per note, during the reporting period 66,338,110 shares plus 33,169,236 options with an exercise price of $0.03 each and expiry date of 31 December 2016 were issued for the conversion of all convertible notes,
- for directors compensation 8,000,000 options with an exercise price of $0.03 each and expiry date of 31 December 2016.

In June 2009 directors approved the issue for cash 25,000,000 shares at $0.08 per share, the issue of shares was subsequently approved by shareholders on 7 September 2009.

In September 2009 shareholders approved the issue for cash of 225,000,000 shares at $0.01 per shares, the funds raised had been received and announced in June 2009.

In September 2009 shareholders approved the issue for services of 4,118,025 shares at $0.0064 per share.

In September 2009 shareholders approved the issue for directors compensation of 15,000,000 shares and 4,000,000 options with an exercise price of $0.03 each and expiry date of 31 December 2016.

In September 2009 directors approved the issue for cash 12,500,000 shares at $0.08 per share, the issue of shares was subsequently approved by shareholders on 7 September 2009.

In September 2009 shareholders approved the issue of 1,500,000 shares as a result of the acquisition of Cogen Power Pty Ltd at $0.115 per shares.

In December 2009 53,405,316 options were issued pursuant to a bonus options issue with an exercise price of $0.20 each and expiry date of 31 December 2016.

During the reporting period 64,910,665 shares were issued as a result of the exercise of options at $0.03 per option.

All issued shares are fully paid.

Ordinary shares

The Company does not have authorised capital or par value in respect of its issued shares. All issued shares are fully paid. The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

Dividends

There were no dividends declared or paid during the reporting period.

14. Reserves

		Option Reserve		Share Based Payment Reserve		Total	
AUD	***Note***	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**
Balance at 1 January		380,660	380,660	-	-	380,660	380,660
Compensation to directors							
- Shares	*16*	-	-	2,962,500	-	2,962,500	-
- Options	*16*	-	-	757,082	-	757,082	-
Payment for services							
- Shares	*16*	-	-	507,500	-	507,500	-
- Options	*16*	-	-	323,996	-	323,996	-
Balance at 31 December		380,660	380,660	4,551,078	-	4,931,738	380,660

The reserve represents the fair value of shares, performance shares and options issued as share based payments for compensation to directors and for the provision of services.

15. Employment costs

	Consolidated		Company	
AUD	**2009**	**2008**	**2009**	**2008**
Wages and salaries	133,845	-	133,845	-
Superannuation	12,046	-	12,046	-
Professional appointment fees	67,746	-	67,746	-
Other associated employment costs	65,391	-	65,391	-
	279,028	-	279,028	-

16. Share-based payments

			Consolidated	
AUD			**2009**	**2008**
Compensation to directors	29 May	Options	370,282	-
Payment for services	29 May	Options	323,996	-
Compensation to directors	7 Sep	Options	386,800	-
Compensation to directors	29 May	Shares	1,087,500	-
Payment for services	29 May	Shares	507,500	-
Compensation to directors	7 Sep	Shares	1,875,000	-
			4,551,078	-

All share based payments during the period were equity settled transactions. All share based payments during the period were one off transactions approved by shareholders and were not part of any share or option plan. There were no share based payments commitments outstanding as at the beginning of the period (1 January 2009) or the end of the period (31 December 2009).

There were no performance hurdles on any share based payments during the period.

Options

On 29 May 2009 the following options were provided as share based payments. All options were approved by shareholders on 29 May 2009 and the options were all convertible into ordinary shares.

	Number	Value $
Compensation to directors	8,000,000	370,282
Payment for services	7,000,000	323,996
	15,000,000	694,278

The grant date fair value of the options issued as share-based payment was measured based on the Black-Scholes formula. Expected volatility is estimated by considering historic average share price volatility. The inputs used in the measurement of the fair values at grant date of the share-based payment plans are the following:

Fair value of share options and assumptions	**2009**
Fair value at grant date	$694,278
Share price at grant date	$0.0725
Exercise price	$0.03
Expected volatility (weighted average volatility)	128%
Option life (expected weighted average life)	184 days
Expected dividends	Nil
Risk-free interest rate (based on government bonds)	3%

On 7 September 2009 the following options were provided as share based payments. All options were approved by shareholders on 7 September 2009 and the options were all convertible into ordinary shares.

	Number	Value $
Compensation to directors	4,000,000	386,800
	4,000,000	386,800

The grant date fair value of the options issued as share-based payment was measured based on the Black-Scholes formula. Expected volatility is estimated by considering historic average share price volatility. The inputs used in the measurement of the fair values at grant date of the share-based payment plans are the following:

Fair value of share options and assumptions	**2009**
Fair value at grant date	$386,800
Share price at grant date	$0.125
Exercise price	$0.03
Expected volatility (weighted average volatility)	128%
Option life (expected weighted average life)	184 days
Expected dividends	Nil
Risk-free interest rate (based on government bonds)	3.5%

On 1 December 2009 shareholders approved the removal of the conversion milestones relating to the options and the options were converted on that day. The value of the options converted pursuant to the removal of the conversion milestone is $760,000 calculated as the market price of shares of the Company as at close of trading on the date the options were exercised after deducting the price paid to exercise the option. The incremental value on conversion of the options converted pursuant to the removal of the conversion milestone is $373,200.

During the period all options issued vested immediately upon granting. During the reporting period all options issued as share based payments were exercised at $0.03 each and converted into ordinary shares. The weighted average market price of options exercised during the reporting period was $0.19.

Performance shares

On 29 May 2009 the following performance shares were provided as share based payment. All performance shares were approved by shareholders on 29 May 2009 and the performance shares were all convertible into ordinary shares.

	Number	**Value $**
Compensation to directors	15,000,000	1,087,500
	15,000,000	1,087,500

The grant date fair value of the performance shares issued as share-based payment is based on the fair value of performance options granted, which is measured based on the Black-Scholes formula. Expected volatility is estimated by considering historic average share price volatility. The inputs used in the measurement of the fair values at grant date of the share-based payment plans are the following:

Fair value of performance shares and assumptions	**2009**
Fair value at grant date	$1,087,500
Share price at grant date	$0.0725
Exercise price	Nil
Expected volatility (weighted average volatility)	128%
Option life (expected weighted average life)	184 days
Expected dividends	Nil
Risk-free interest rate (based on government bonds)	3%

All performance shares issued vested immediately upon granting. The performance shares were convertible into ordinary shares upon the volume weighted price of ordinary shares traded on the ASX over 20 consecutive days being at least 3 cents for 5,000,000 of the performance shares, 6 cents for 5,000,000 of the performance shares, and 9 cents for 5,000,000 of the performance shares. During the reporting period the performance shares issued as share based payments were converted into ordinary shares for no consideration.

Shares

On 29 May 2009 the following shares were provided as share based payment. All shares were approved by shareholders on 29 May 2009.

	Number	Value $
Payment for services	7,000,000	507,500
	7,000,000	507,500

The grant date fair value of the shares issued as share-based payment was measured based on the share price on the date of issue.

Fair value of performance shares and assumptions	2009
Fair value at grant date	$507,500
Share price at grant date	$0.0725
Consideration	Nil

On 7 September 2009 the following shares were provided as share based payment. All shares were approved by shareholders on 7 September 2009.

	Number	Value $
Compensation to directors	15,000,000	1,875,000
	15,000,000	1,875,000

The grant date fair value of the shares issued as share-based payment was measured based on the share price on the date of issue.

Fair value of performance shares and assumptions	2009
Fair value at grant date	$1,875,000
Share price at grant date	$0.125
Consideration	Nil

17. Impairment and settlement costs

		Consolidated		Company	
AUD	*Note*	2009	2008	2009	2008
Impairment of loans and equity assets		-	325,000	-	
Subsidiary acquisition settlement cost	*7*	322,500	-	322,500	-
Other investment	*10*	100,000	-	100,000	-
Loan advance expensed		35,124	-	35,124	-
Subsidiary loan recovered		-	-	(194,830)	(144,466)
		457,624	325,000	262,794	(144,466)

The loan advance relates to funds advanced during the period to Water Un Limited which are considered unrecoverable after termination of the agreement to acquire the company in July 2009 and have been expensed, refer to note 10. The subsidiary loan relates to Lethaji Pty Ltd and represents funds received for a loan impaired in the previous period.

18. Finance income

	Consolidated		Company	
AUD	**2009**	**2008**	**2009**	**2008**
Interest income on bank deposits	50,235	26,870	50,235	6,159
	50,235	26,870	50,235	6,159

19. Income tax expense

	Consolidated		Company	
AUD	**2009**	**2008**	**2009**	**2008**
Current tax expense				
Current period	-	-	-	-
	-	-	-	-

Numerical reconciliation between tax expense and pre-tax accounting profit

		Consolidated		Company	
AUD	***Note***	**2009**	**2008**	**2009**	**2008**
Loss for the period		7,408,206	676,531	7,213,376	225,785
Total income tax expense		-	-	-	-
Loss excluding income tax		7,408,206	676,531	7,213,376	225,785
Income tax using the Company's domestic tax rate of 30 per cent (2008: 30 per cent)		(2,222,462)	(202,959)	(2,164,012)	(67,735)
Non-deductible expenses		1,749,157	-	1,690,707	-
Current year losses for which no deferred tax asset was recognised	*20*	473,305	202,959	473,305	67,735
		-	-	-	-

20. Deferred tax assets

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

	Consolidated		Company	
AUD	**2009**	**2008**	**2009**	**2008**
Tax losses current period	473,305	202,959	473,305	67,735
	473,305	202,959	473,305	67,735

The tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of losses for the current period or prior years because it is uncertain if future taxable profit will be available against which the Group can utilise the benefits therefrom. No deferred tax assets are carried forward for prior periods.

21. Reconciliation of cash flows from operating activities

	Note	Consolidated		Company	
AUD		**2009**	**2008**	**2009**	**2008**
Cash flows from operating activities					
Loss for the period		(7,408,206)	(676,531)	(7,213,376)	(225,785)
Finance income		(50,235)	(26,778)	(50,235)	(6,157)
Loss from operating activities		(7,458,441)	(703,309)	(7,263,611)	(231,942)
Adjustments for:					
Depreciation	*11*	6,398	1,313	6,398	1,313
Disposals	*11*	3,524	-	3,524	-
Impairment	*17*	100,000	325,000	100,000	(144,466)
Settlement costs	*17*	172,500	-	172,500	-
Fees paid in shares		-	100,000	-	100,000
Share-based payment transactions	*16*	4,551,078	-	4,551,078	-
		(2,624,941)	(276,996)	(2,430,111)	(275,095)
Change in other receivables	*9*	(2,954)	(3,506)	(2,970)	(4,431)
Change in prepayments		6,519	-	6,519	-
Change in trade and other payables	*12*	424,861	7,667	425,107	7,441
Proceeds for share capital received in advance		(34,000)	-	(34,000)	-
Settlement cost expensed	*17*	150,000	-	150,000	-
Subsidiary loans recovered		-	-	(194,830)	-
Net cash from operating activities		(2,080,515)	(272,835)	(2,080,285)	(272,085)

22. Earnings per share

Basic earnings per share

The calculation of basic earnings per share at 31 December 2009 was based on the loss attributable to ordinary shareholders of $7,408,206 (2008: $676,531) and a weighted average number of ordinary shares outstanding of 265,016,780 (2008: 76,954,753). At 31 December 2009 53,405,316 options (208: nil) were excluded from the diluted weighted average number of ordinary shares calculation as their effect would have been anti-dilutive.

Weighted average number of ordinary shares

	Consolidated	
	2009	**2008**
Issued ordinary shares at 1 January	84,943,879	69,943,879
Effect of share options exercised	99,105,698	-
Effect of shares issued for business combination	2,440,686	-
Effect of shares issued for convertible notes	13,244,811	-
Effect of shares issued for share based payments	41,775,449	-
Effect of shares issued in May	4,817,358	-
Effect of shares issued in July	7,573,583	-
Effect of shares issued in September	11,115,316	-
Effect of shares issued	-	7,010,874
Weighted average number of ordinary shares at 31 December	265,016,780	76,954,753

23. Capital commitments

On 19 January 2010 the Company completed the acquisition of Jamalcom Pty Ltd trading as CoGen ORC Power (“Jamalcom”). Jamalcom holds the exclusive rights to market the Opcon Powerbox system in Australia, Malaysia, Thailand, Singapore and Sub-Saharan Africa.

Pursuant to the Australian distribution agreement with Opcon Energy System AB Jamalcom has a minimum commitment to purchase 2 Opcon Powerboxes in the first year following successful commissioning of the first reference project, 10 in the second year, 20 in the third year, 30 in the fourth year and 60 in the fifth year.

24. Contingencies

Goldenwire Investments Pty Ltd (ACN 089 370 347), a company associated with former director, Colin Barboutis, as Trustee for the Goldenwire Trust (Goldenwire) commenced proceedings against Enerji by Writ of Summons out of the Supreme Court of Western Australia on 1 July 2009 in Action CIV 2203 of 2009 (Action). The claim made by Goldenwire Investments Pty Ltd As Trustee for the Goldenwire Trust in the Writ of Summons is for damages in the sum of $1,165,335 plus interest on damages pursuant to s32 of the Supreme Court Act. Enerji is defending the Action and denies that Goldenwire is entitled to the relief claimed, or any relief at all.

On 19 January 2010 the Company completed the acquisition of Jamalcom Pty Ltd trading as CoGen ORC Power (“Jamalcom”). Jamalcom has a contingent liability of US$192,500 (A$215,537 based on exchange rate on reporting date) relating to a final payment on the Opcon Powerbox which is currently being installed at the Henderson Waste Facility project. The final payment by Jamalcom is payable upon successful commissioning of the Opcon Powerbox.

25. Related parties

Key management personnel and directors compensation

	Consolidated		**Company**	
AUD	**2009**	**2008**	**2009**	**2008**
Salary and fees	660,059	86,243	660,059	86,243
Other benefits	24,472	-	24,472	-
Share-based payments	3,719,582	-	3,719,582	-
	4,404,113	86,243	4,404,113	86,243

Individual directors and executives compensation disclosures

Information regarding individual directors and some equity instruments disclosures as required by Corporations Regulations 2M.3.03 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.

Loans to key management personnel and their related parties

Details regarding loans outstanding at the reporting date to key management personnel and their related parties, where the individual’s aggregate loan balance exceeded $100,000 at any time in the reporting period, are as follows.

During the year the Company entered into agreements to acquire Jamalcom Pty Ltd trading as CoGen ORC Power (“Jamalcom”), a company that is controlled by Greg Pennefather. As part of the acquisition agreements the Company entered into a $2,900,000 loan facility agreement to acquire and install power generation equipment. The loan is by way of interest free facility, $1,800,000 of the loan is secured by way of a charge over the assets of Jamalcom, the balance of the loan is unsecured. On 1 December 2009 shareholders approved the acquisition of Jamalcom Pty Ltd trading as CoGen ORC Power and on 19 January 2010 the Company completed the acquisition.

The aggregate value of transactions and outstanding balances relating to key management personnel and entities over which they have control or significant influence were as follows:

		Transaction value year ended 31 December		**Balance outstanding as at 31 December**	
AUD		**2009**	**2008**	**2009**	**2008**
Consolidated	**Transaction**				
(i) Key management person					
Greg Pennefather	Loan facility	1,938,580	-	1,938,580	-
Total and current liabilities		1,938,580	-	1,938,580	-
Company	**Transaction**				
(i) Key management person					
Greg Pennefather	Loan facility	1,938,580	-	1,938,580	-
Total and current liabilities		1,938,580	-	1,938,580	-

Options and rights over equity instruments

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

	Held at 1 January 2009	**Granted as compensation**	**Exercised**	**Other changes**	**Held at 31 December 2009**
Directors					
Ian Campbell	-	-	-	-	-
Greg Pennefather	-	-	-	1,500,000[1]	1,500,000
Ross Smith	-	4,000,000	-	(4,000,000)[3]	-
Guy Le Page	-	4,000,000	(4,000,000)	1,642,934[1]	1,642,934
Rolf Hasselström	-	4,000,000	(4,000,000)	400,000[1]	400,000
Steven Bamford	-	-	-	-	-
Jonathan Asquith	1,028,600	-	-	(1,028,000)[2]	-
Colin Barboutis	168,000	-	-	(168,000)[2]	-

All options issued during the reporting period were vested on date of issue.

[1] All of the options held by directors at the date of this report were received in their capacity as shareholders of the Company pursuant to the bonus options issue completed on 21 December 2009.

[2] Options lapsed 31 January 2009.

[3] Options transferred to Dark Dragon Holdings Pty Ltd on 26 June 2009.

	Held at 1 January 2008	Granted as compensation	Exercised	Other changes	Held at 31 December 2008
Directors					
Steven Bamford	-	-	-	-	-
Jonathan Asquith	1,028,600	-	-	-	1,028,600
Colin Barboutis	168,000	-	-	-	168,000

Movements in shares

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

	Held at 1 January 2009	Granted as compensation	Acquired / Other	Received on exercise of options	Disposed	Held at 31 December 2009
Directors						
I Campbell	-	-	-	-	-	-
G Pennefather [1]	-	15,000,000	-	-	-	15,000,000
R Smith	-	15,000,000	-	-	15,000,000	-
G Le Page [2]	-	-	9,846,008	9,138,888	2,555,555	16,429,341
R Hasselström	-	-	-	4,000,000	-	4,000,000
Steven Bamford	-	-	15,000	-	15,000	-
Jonathan Asquith	702,064	-	-	-	702,064	-
Colin Barboutis	4,442,499	-	-	-	4,442,499	-

[1] On 19 January 2010 the Greg Pennefather was issued 41,701,418 shares for the acquisition of Jamalcom Pty Ltd.

[2] Options exercised includes 4,000,000 options issued as compensation, 7,000,000 options issued for provision of services to RM Corporate Finance Pty Ltd of which Mr Le Page is a director, 416,667 options issued from conversion of convertible notes issued and converted during the period, less 2,277,779 options disposed of during the period.

	Held at 1 January 2008	Granted as compensation	Acquired	Received on exercise of options	Disposed	Held at 31 December 2008
Directors						
Jonathan Asquith	702,064	-	-	-	-	702,064
Colin Barboutis	4,272,499	-	170,000	-	-	4,442,499

26. Financial instruments

Credit risk

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

		Carrying amount	
AUD	**Note**	**2009**	**2008**
Loans and receivables – current	*9*	7,610	4,656
Loans and receivables – non current	*9*	1,938,580	-
Cash and cash equivalents	*8*	3,523,580	275,849
		5,469,770	280,505

None of the Company's loans and receivables are past due (2008: nil).

The non current loan was to a related party relating to the funds advanced to Jamalcom Pty Ltd trading as CoGen ORC Power ("Jamalcom") to acquire and install power generation equipment to a maximum of $2,900,000. $1,800,000 is secured by way of a charge over the assets of Jamalcom, the balance of the loan is unsecured. On 19 January 2010 the Company completed the acquisition of Jamalcom.

No impairment is considered necessary for any loans or receivables and no amounts are past due.

Liquidity risk

The Group has limited exposure to liquidity risk as the Group's main asset is cash at bank.

All financial liabilities have contractual maturities of less than 6 months.

Currency risk

The Group has limited exposure to currency risk at 31 December 2009 as all of its assets and liabilities are in AUD. If the company orders additional Opcon Powerboxes then they will be in Swiss Kroner and the currency risk will be reviewed at the time. As at the date of these accounts there are no orders for additional Opcon Powerboxes.

On 19 January 2010 the Company completed the acquisition Jamalcom Pty Ltd trading as CoGen ORC Power ("Jamalcom"). Jamalcom has a contingent liability of US$192,500 (A$215,537 based on exchange rate on reporting date) relating to a final payment on the Opcon Powerbox which is currently being installed at the Henderson Waste Facility project. The final payment is payable upon successful commissioning of the Opcon Powerbox, expected completion of the project is in April 2010.

Interest rate risk

The Group exposure to interest rates relate primarily to cash and cash equivalents. As at the date of these accounts the Group has no financial liabilities subject to interest rate movements.

Fair values

The fair values of financial assets and liabilities as at the reporting date are considered to be the same as the carrying amounts shown in the statement of financial position.

Capital management

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. 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.

27. Subsequent event

On 18 January 2009 the company raised $2,535,970 from the issue of 12,679,849 ordinary shares and 6,339,935 options under the prospectus dated 14 December 2009.

On 19 January 2010 the Company received approval for relisting on the ASX after complying with Chapters 1 and 2 of the ASX Listing Rules.

On 19 January 2010 the Group announced the completion of the acquisition of Jamalcom Pty Ltd trading as CoGen ORC Power and issued 41,701,418 shares. The consideration for the transaction amounts to $5 million. Underlying assets acquired were the Opcon Powerbox under installation of $930,580 and a prepayment to Opcon of $1,008,000 for five Generation 3 Powerboxes. The liability acquired is the loan payable to Enerji of $1,938,580. The remaining value is being attributed to the distribution agreement with Opcon. Management is undertaking a fair value of this in accordance with AASB3.

On 19 February 2010 Ross Smith resigned as Chief Executive Officer and received a cash termination payment of $430,750. On 11 March 2010 Ross Smith resigned as a Director of the Company.

On 23 February 2010 Samantha Tough was appointed a director of the Company.

On 12 March 2010 Guy Le Page resigned as a director of the Company.

28. Auditors' remuneration

	Consolidated		**Company**	
AUD	**2009**	**2008**	**2009**	**2008**
Current year				
KPMG Australia:				
Review of half yearly financial reports	32,156	-	32,156	-
Audit and review of financial reports	35,000	-	35,000	-
Audit and review of transactions	20,000	-	20,000	-
Prior year				
Other auditors:				
Audit and review of financial reports	2,772	18,581	2,772	18,581
	89,928	18,581	89,928	18,581

Enerji Limited

Directors' declaration

1 In the opinion of the directors of Enerji Limited ('the Company'):

(a) the financial statements and notes and the Remuneration report in the Directors' report, set out on pages 1 to 41, 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 31 December 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) 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 There are reasonable grounds to believe that the Company and the group entities identified in note 10 will be able to meet any obligations or liabilities to which they are or may become subject.

3 The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the chief executive officer and chief financial officer for the financial year ended 31 December 2009.

Signed in accordance with a resolution of the directors.

Greg Pennefather

Director

Dated 31 March 2010.

KPMG

Independent auditor's report to the members of Enerji Limited

Report on the financial report

We have audited the accompanying financial report of Enerji Limited (the Company), which comprises the statements of financial position as at 31 December 2009, and statements of comprehensive income, statements of changes in equity and statements of cash flows for the year ended on that date, a description of significant accounting policies and other explanatory notes 1 to 28 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.

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 Enerji 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 31 December 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 note 10 of the directors' report for the year ended 31 December 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 Enerji Limited for the year ended 31 December 2009, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

Graham Hogg
Partner

Perth
31 March 2010

KPMG

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

To: the directors of Enerji Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 31 December 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; and

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

KPMG

KPMG

Graham Hogg
Partner

Perth
31 March 2010

Corporate Governance Statement

This statement outlines the main corporate governance practices in place throughout the financial year, which comply with the ASX Corporate Governance Council recommendations, unless otherwise stated.

As the framework of how the Board of Directors at Enerji Limited ("Company") carries out its duties and obligations, the Board has considered the eight principles of corporate governance as set out in the ASX Corporate Governance Principles and Recommendations.

Principle 1 – Lay solid foundations for management and oversight

Companies should establish and disclose the respective roles and responsibilities of Board and management.

Recommendation 1.1: Companies should establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.

The Directors monitor the business affairs of the Company on behalf of Shareholders and have formally adopted a corporate governance policy which is designed to encourage Directors to focus their attention on accountability, risk management and ethical conduct.

The Company's main corporate governance policies and practices are outlined below:

<u>The Board of Directors</u>

The Company's Board of Directors is responsible for corporate governance of the Company. The Board develops strategies for the Company, reviews strategic objectives and monitors performance against those objectives.

The goals of the corporate governance processes are to:

(a) maintain and increase Shareholder value;

(b) ensure a prudential and ethical basis for the Company's conduct and activities; and

(c) ensure compliance with the Company's legal and regulatory objectives.

Consistent with these goals, the Board assumes the following responsibilities:

(a) developing initiatives for profit and asset growth;

(b) reviewing the corporate, commercial and financial performance of the Company on a regular basis;

(c) acting on behalf of, and being accountable to, the Shareholders; and

(d) identifying business risks and implementing actions to manage those risks and corporate systems to assure quality.

The Company is committed to the circulation of relevant materials to Directors in a timely manner to facilitate Directors' participation in the Board discussions on a fully-informed basis.

<u>Composition of the Board</u>

Election of Board members is substantially the province of the Shareholders in general meeting. However, subject thereto, the Company is committed to the following principles:

(a) the Board is to comprise Directors with a blend of skills, experience and attributes appropriate for the Company and its business; and

(b) the principal criterion for the appointment of new Directors is their ability to add value to the Company and its business.

No formal nomination committee or procedures have been adopted for the identification, appointment and review of the Board membership, but an informal assessment process, facilitated by the Chairman in consultation with the Company's professional advisors, has been committed to by the Board.

Independent professional advice

The Directors may obtain independent professional advice on issues arising in the course of their duties.

Remuneration arrangements

The remuneration of an Executive Director will be decided by the Board, without the affected Executive Director participating in that decision-making process.

The total cash remuneration of Non-Executive Directors is the subject of a Shareholder resolution in accordance with the Company's Constitution, the Corporations Act and the ASX Listing Rules, as applicable. The determination of Non-Executive Directors' remuneration within that maximum will be made by the Board having regard to the inputs and value to the Company of the respective contributions by each Non-Executive Director. The current limit, which may only be varied by Shareholders in general meeting, is an aggregate cash amount of $400,000 per annum.

The Board may award additional remuneration to Non-Executive Directors called upon to perform extra services or make special exertions on behalf of the Company.

External audit

The Company in general meetings is responsible for the appointment of the external auditors of the Company, and the Board from time to time will review the scope, performance and fees of those external auditors.

Audit committee

The Company has established a separate constituted audit committee.

Identification and management of risk

The Board's collective experience will enable accurate identification of the principal risks that may affect the Company's business. Key operational risks and their management will be recurring items for deliberation at Board meetings.

Ethical standards

The Board is committed to the establishment and maintenance of appropriate ethical standards.

Recommendation 1.2: Companies should disclose the process for evaluating the performance of senior executives.

The Remuneration Committee reviews the remuneration policies applicable to all Directors and Executive Officers on an as needed basis and makes recommendations on remuneration packages and terms of employment to the Board. Remuneration packages, which consist of base salary, fringe benefits, incentive schemes (including performance related bonuses), superannuation, and entitlements upon retirement or termination, are reviewed with due regard to performance and other relevant factors.

Principle 2 – Structure the Board to add value

Companies should have a Board of an effective composition, size and commitment to adequately discharge its responsibilities and duties.

Recommendation 2.1: A majority of the Board should be independent directors.

The Board has six Directors comprising one managing executive directors and five independent non executive directors.

Recommendation 2.2: The chair should be an independent director.

The chairman is independent.

Recommendation 2.3: The roles of the chair and Chief Executive Officer should not be exercised by the same individual.

The roles of chief executive officer and chairman are not held by the same person.

Recommendation 2.4: The Board should establish a nomination committee.

The Board has not established a nomination committee. The Board, as a whole, deals with areas that would normally fall within the Charge of the Nomination Committee. These include matters relating to the renewal of Board Members and Board Performance.

Recommendation 2.5: Companies should disclose the process for evaluating the performance of the Board, its committees and individual directors.

The Remuneration Committee has developed a formal process for performance evaluation of the Board. The Remuneration Committee reviews the remuneration policies applicable to all Directors and Executive Officers on an as needed basis and makes recommendations on remuneration packages and terms of employment to the Board. Remuneration packages, which consist of base salary, fringe benefits, incentive schemes (including performance related bonuses), superannuation, and entitlements upon retirement or termination, are reviewed with due regard to performance and other relevant factors.

Principle 3 – Promote ethical and responsible decision-making

Companies should actively promote ethical and responsible decision-making.

Recommendation 3.1: Companies should establish a code of conduct and disclose the code or a summary of the code as to:

- *The practices necessary to maintain confidence in the company's integrity*
- *The practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders*
- *The responsibility and accountability of individuals for reporting and investigating reports of unethical practices*

The Company is committed to Directors and employees maintaining high standards of integrity and ensuring that activities are in compliance with the letter and spirit of both the law and Company policies.

Directors acquaint themselves with obligations imposed on them and the Company by the Corporations Act. They will also familiarise themselves with other documents prepared by the Company to meet corporate governance requirements:

- the Employee Code of Conduct –sets out minimum standards of conduct and integrity to be observed by all employees and Directors;
- the Corporate Governance Statement –advises Shareholders and ASX of the corporate governance practices put in place by the Board.

Recommendation 3.2: Companies should establish a policy concerning trading in company securities by directors, senior executives and employees, and disclose the policy or a summary of that policy.

The Policy on Directors and Senior Executives dealing in Securities objective is to:

- minimise the risk of Directors and Senior Executives of the Company contravening the laws against insider trading;
- ensure the Company is able to meet its reporting obligations under the ASX Listing Rules; and
- increase transparency with respect to trading in securities of the Company by Directors and Senior Executives.

The Chairman will generally not allow Directors and Senior Executives to deal in securities of the Company as a matter of course in the following periods:

- within the month prior to the release of annual or half yearly results;
- within the month prior to the issue of a prospectus; and

- where price sensitive information has not been disclosed because of an ASX Listing Rule exception.

Directors and Senior Executives should wait at least 3 business days after the release of the relevant information before dealing in securities so that the market has had time to absorb the information.

In specific circumstances however, such as financial hardship, the Chairman may waive the prohibition on a Director or Senior Executive dealing in securities at any of the above times on the condition that the Director or Senior Executive can demonstrate to him that they are not in possession of any price sensitive information that is not generally available to the public.

Principle 4 – Safeguard integrity in financial reporting

Companies should have a structure to independently verify and safeguard the integrity of their financial reporting.

Recommendation 4.1: The Board should establish an audit committee.

The board has established an Audit Committee consisting of Ian Campbell (Chairperson), Greg Pennefather, and Samantha Tough.

Recommendation 4.2: The audit committee should be structured so that it:

- *consists of only non-executive directors*
- *consists of a majority of independent directors*
- *is chaired by an independent chair, who is not chair of the Board*
- *has at least three members.*

The Company's current Audit Committee only consists of 3 board members with a majority of independent directors. The Chairperson is an independent chair.

Recommendation 4.3: The audit committee should have a formal charter.

Such a charter is not considered necessary for the proper function of the committee given the composition of the Audit Committee and the Board.

Principle 5 – Make timely and balanced disclosure

Companies should promote timely and balanced disclosure of all material matters concerning the company.

Recommendation 5.1: Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.

The Company has obligations under the Corporations Act and ASX Listing Rules to keep the market fully informed of information which may have a material effect on the price or value of its securities. The Company discharges these obligations by releasing information to ASX in the form of an ASX release or disclosure in other relevant documents (e.g. the Annual Report).

The Company has a continuous disclosure program in place designed to ensure the compliance with ASX Listing Rule disclosure and to ensure accountability at a senior executive level for compliance and factual presentation of the Company's financial position.

Principle 6 – Respect the rights of shareholders

Companies should respect the rights of shareholders and facilitate the effective exercise of those rights.

Recommendation 6.1: Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.

The Company is committed to the promotion of investor confidence by ensuring that trade in its securities takes place in an efficient, competitive and informed market. The Board Charter recognises the importance of forthright communication as a key plank in building shareholder value and that to prosper and achieve growth the Company must (among other things) earn the trust of employees, customers, suppliers, communities and security holders by being forthright in its communications and consistent in its fulfilment of obligations.

Principle 7 – Recognise and manage risk

Companies should establish a sound system of risk oversight and management and internal control.

Recommendation 7.1: Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.

Management determines the Company's risk profile and is responsible for overseeing and approving risk management strategy and policies, internal compliance and internal control. The Company's process of risk management and internal compliance and control includes:

- establishing the Company's goals and objectives, and implementing and monitoring strategies and policies to achieve these goals and objectives;
- continuously identifying and reacting to risks that might impact upon the achievement of the Company's goals and objectives, and monitoring the environment for emerging factors and trends that affect these risks;
- formulating risk management strategies to manage identified risks and designing and implementing appropriate risk management policies and internal controls; and
- monitoring the performance of, and continuously improving the effectiveness of, risk management systems and internal compliance and controls, including an ongoing assessment of the effectiveness of risk management and internal compliance and control.

Recommendation 7.2: The Board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.

The responsibility for undertaking and assessing risk management and internal control effectiveness is delegated to management. Management is required by the Board to report back on the efficiency and effectiveness of risk management, inter alia, by benchmarking the Company's performance against industry standards.

The risk profile of the Company contains both financial and non-financial factors including material risks arising from pricing, competitive position, currency movements, operational efficiency, product quality, investments in new projects.

To mitigate these risks, the company has in place an experienced Board, regular Board meetings, financial annual audit and half year review, rigorous appraisal of new investments, and advisers familiar with the company. The Board's collective experience will enable accurate identification of the principal risks that may affect the Company's business. Key operational risks and their management will be recurring items for deliberation at Board Meetings.

Recommendation 7.3: The Board should disclose whether it has received assurance from the chief executive officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

The Chief Executive Officer and the Financial Controller confirm in writing to the Board that the financial reports of the Company for the financial year:

- present a true and fair view, in all material respects, of the company's financial condition and operational results and are in accordance with relevant accounting standards;

- the statement given in paragraph (a) above is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board; and
- the company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

Principle 8 – Remunerate fairly and responsibly

Companies should ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to performance is clear.

Recommendation 8.1: The Board should establish a remuneration committee.

The Board has established a remuneration committee. The Committee consists of Ian Campbell (Chairperson), and Rolf Hasselström.

Recommendation 8.2: Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.

Executive Directors remuneration packages may comprise of:

(a) salary and associated superannuation;

(b) fixed directors fees; and

(c) performance based bonuses.

Non-Executive Directors receive fixed directors fees only, and do not participate in any performance-based remuneration. Fixed directors fees may be paid in the form of cash, shares, share options or a combination of both. Shares and share options are issued on similar terms to previous issues by the entity and are considered to be in lieu of cash, not based on performance of the entity.

Full remuneration disclosure, including superannuation entitlements, and the number of meetings of the Remuneration Committee is provided by the Company in its annual report. The Remuneration Committee ensures that all equity based executive remuneration is made within the guidelines set by plans approved by Shareholders.

Departure from Best Practice Recommendations

From 1 January 2009 to 31 December 2009, the Company complied with each of the Eight Essential Corporate Governance Principles and Best Practice Recommendations published by the ASX Corporate Governance Council, other than in relation to the table below.

Recommendation	Notification of Departure	Explanation from Departure
2.4	The Board has not established a nomination committee.	The whole Board carries out the duties which would otherwise be undertaken by the nomination committee. The need for a nomination committee will be reviewed annually.
4.3	The audit committee should have a formal charter.	Such a charter is not considered necessary for the proper function of the committee as the whole Board carried out the duties which would otherwise be undertaken by the audit committee during the reporting period.

The Enerji Limited Corporate Governance Principles & Practices Manual is available on the Company's website www.enerji.com.au.

ASX additional information as at 25 March 2010

Additional information required by the ASX Limited Listing Rules and not disclosed elsewhere in this report is set out below.

Securities Exchange

The Company is listed on the Australian Securities Exchange. The Home exchange is Perth.

Other information

Enerji Limited, incorporated and domiciled in Australia, is a publicly listed company limited by shares.

ORDINARY SHARES

Twenty largest shareholders

Name	Number of ordinary shares held	Percentage of capital held
Hawera Pty Ltd <The Bailey Family A/C>	64,390,147	10.9%
Boxpower AB	44,500,000	7.6%
Gabrielsson Invest AB	44,500,000	7.6%
Mr Greg Pennefather	41,701,418	7.1%
Frollo Enterprises Limited	20,000,000	3.4%
Ramsa Pty Ltd <Bailey Super Fund A/C>	18,289,122	3.1%
Westedge Investments Pty Ltd <The PMB Fund A/C>	14,966,999	2.5%
Jamalexal Pty Ltd <The Jamal Account>	12,500,000	2.1%
RM Corporate Finance Pty Ltd	10,032,675	1.7%
Australian Heritage Group Pty Ltd <Australian Heritage A/C>	10,000,000	1.7%
Tarney Holdings Pty Ltd <DP & FL Waddell Family A/C>	8,495,045	1.4%
Batavia Capital Pty Ltd <Austley A/C>	7,864,821	1.3%
Interstate Investments Pty Ltd	7,400,000	1.3%
Mrs Anne Elizabeth Gribble <Penton A/C>	6,888,100	1.2%
Equity Trustees Limited <SGH PI Smaller Co's Fund>	6,550,000	1.1%
Dawesville Nominees Pty Ltd <The Dawesville A/C>	6,500,000	1.1%
Bludgeon Pty Ltd	5,500,000	0.9%
Ms Lisa Wright <The Studio Two A/C>	5,285,151	0.9%
E C Dawson Investments Pty Ltd	4,450,000	0.8%
Ekirtson Nominees Pty Ltd <GFCR Investment A/C>	4,000,000	0.7%
Mr Rolf Hasselstrom	4,000,000	0.7%
Mr Guy Touzeau Le Page	4,000,000	0.7%
	351,813,478	59.8%

Substantial shareholders

The number of shares held by substantial shareholders and option holders and their associates are set out below:

Shareholder	Number
Hawera Pty Ltd <The Bailey Family A/C>	64,390,147
Boxpower AB	44,500,000
Gabrielsson Invest AB	44,500,000
Mr Greg Pennefather	41,701,418

Distribution of equity security holders	Holders
1 - 1,000	225
1,001 - 5,000	162
5,001 - 10,000	163
10,000 - 100,000	691
100,000 and over	411
	1,652

The number of shareholders holding less than a marketable parcel of ordinary shares is 439.

Voting rights

On a show of hands every person present who is a member or a proxy, attorney or representative of a member has one vote and upon a poll every person present who is a member or a proxy, attorney or representative of a

OPTIONS

Twenty largest option holders

Name	Number of options held	Percentage of total held
Hawera Pty Ltd <The Bailey Family A/C>	6,439,015	10.8%
Opcon Energy Systems AB	4,450,000	7.4%
Gabrielsson Invest AB	4,450,000	7.4%
Equity Trustees Limited <SGH PI Smaller Co's Fund>	2,500,000	4.2%
Frollo Enterprises Limited	2,000,000	3.3%
Dark Dragon Holdings Pty Ltd	1,700,000	2.8%
Jamalexal Pty Ltd <The Jamal Account>	1,500,000	2.5%
Westedge Investments Pty Ltd <The PMB Fund A/C>	1,427,000	2.4%
Tarney Holdings Pty Ltd <DP & FL Waddell Family A/C>	1,089,505	1.8%
Mr Noel David McEvoy & Mrs Shelley Dawn McEvoy <The ND McEvoy Super Fund A/C>	1,010,000	1.7%
Australian Heritage Group Pty Ltd <Australian Heritage A/C>	1,000,000	1.7%
Mr John Lagana	899,616	1.5%
Etrade Australia Nominees Pty Limited	887,268	1.5%
Jemaya Pty Ltd <The Featherby Family A/C>	830,095	1.4%
Interstate Investments Pty Ltd	740,000	1.2%
Dawesville Nominees Pty Ltd <The Dawesville A/C>	650,000	1.1%
Ms Lisa Wright <The Studio Two A/C>	528,516	0.9%
Invictus Capital Pty Ltd <Main Family A/C>	500,000	0.8%
Buelow Nominees Pty Ltd <Buelow Family Superfund A/C>	500,000	0.8%
Bludgeon Pty Ltd	500,000	0.8%
	33,601,015	56.2%

Substantial option holders	Number
Hawera Pty Ltd <The Bailey Family A/C>	6,439,015
Opcon Energy Systems AB	4,450,000
Gabrielsson Invest AB	4,450,000

Distribution of equity security holders	Holders
1 - 1,000	547
1,001 - 5,000	424
5,001 - 10,000	224
10,000 - 100,000	312
100,000 and over	81
	1,588

Voting rights

There are no voting rights attached to the options.