WASABI ENERGY LIMITED

ACN 000 090 997
Annual financial report for the year ended 30 June 2011

CHAIRMANS LETTER

In this financial year Wasabi Energy focused on the further market penetration of its three core businesses – renewable power generation, sustainable and secure water supply and biodiesel from renewable resources.

The core businesses operated through three separate companies, Global Geothermal Limited (GGL), a subsidiary which owns the global patents and intellectual property for the Kalina Cycle® power generation technology, Aqua Guardian Group Ltd (AGG), a 47.5% Wasabi owned water technology company with a patented product for water conservation, and Australian Renewable Fuels Ltd (ARW), an Australian Stock Exchange listed company with 17.33% Wasabi ownership, and which has Australia's largest capacity for biodiesel production.

A highlight for the year was the appointments to two key management positions – a Chief Operating Officer and President International. These appointments have helped the business gain further momentum and discipline through improved business processes. The Wasabi Energy management team is actively involved in each of its core businesses. Each business has met major milestones this year that will underpin their operations and continue to build the businesses towards financial profitability and further market growth.

In December 2010, Wasabi Energy listed on the Alternative Investment Market ("AIM") of the London Stock Exchange, the international market for smaller growing companies. As a global company, this listing has attracted new investors to the business and assisted in the international recognition of the company and its technologies. We are pleased that our company is being supported by some major institutional funds in the UK.

Wasabi Energy also divested the majority of its non-core investments in Rum Jungle, Aviva Corporation and Greenearth Energy. These were sold for a profit on the original purchase price.

The Group made a loss for the year to 30 June 2011 of $0.5m (2010 - Loss $8.5m). This loss comprised a gain on investments of $7.9m, including a gain of $6.4m on the reclassification of A R Fuels, as well as profits on the sale of non-core assets of $0.9m. This was offset by $2.7m for the costs of the development of GGL as well as non-cash items such as $1.5m relating to the issue of options to employees of the Group.

The company has grown significantly over the past 12 months and we now have the key platforms in place for continued growth and future profitability. GGL has signed a global license agreement and we have a suite of build, own, operate Kalina Cycle® power plants in development that will transition Wasabi Energy into an independent power producer. Aqua Guardian has successfully deployed its water conservation modules, AquaArmour™ and received positive endorsement from water authorities. ARW has secured a source of feedstock at constant price, whilst also acquiring further refining capacity.

Wasabi Energy continues to deliver on its objectives and is building a portfolio of assets to make it a profitable company that delivers sustainable solutions to environmental issues.

I wish to thank our team for their work and dedication to developing the various businesses in which we are engaged and look forward to a bright future.

Yours Faithfully

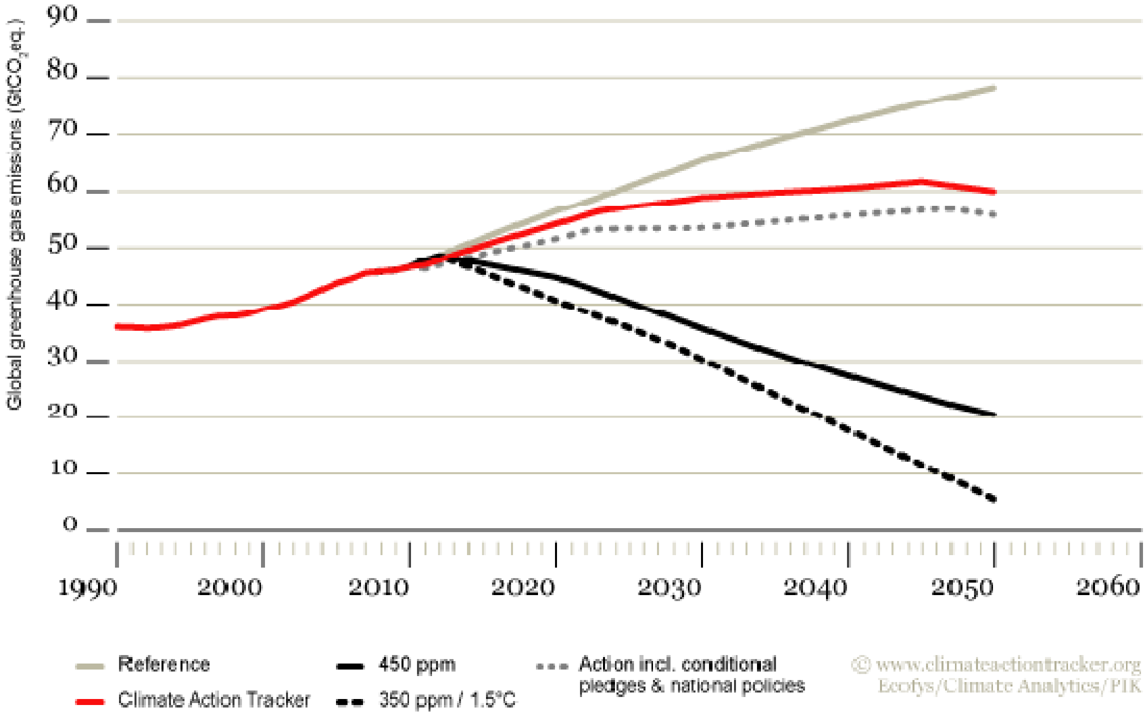
John Byrne
Executive Chairman

Overview of Climate Change market place

Wasabi Energy operates in a back ground of growing concern over greenhouse gas (GHG) emissions and their perceived impact on the global climate. The technologies and solutions that Wasabi Energy own are targeted at mitigating the source of climate change (Kalina Cycle® for GHG) as well as the symptoms of climate change (AquaArmour™ for water).

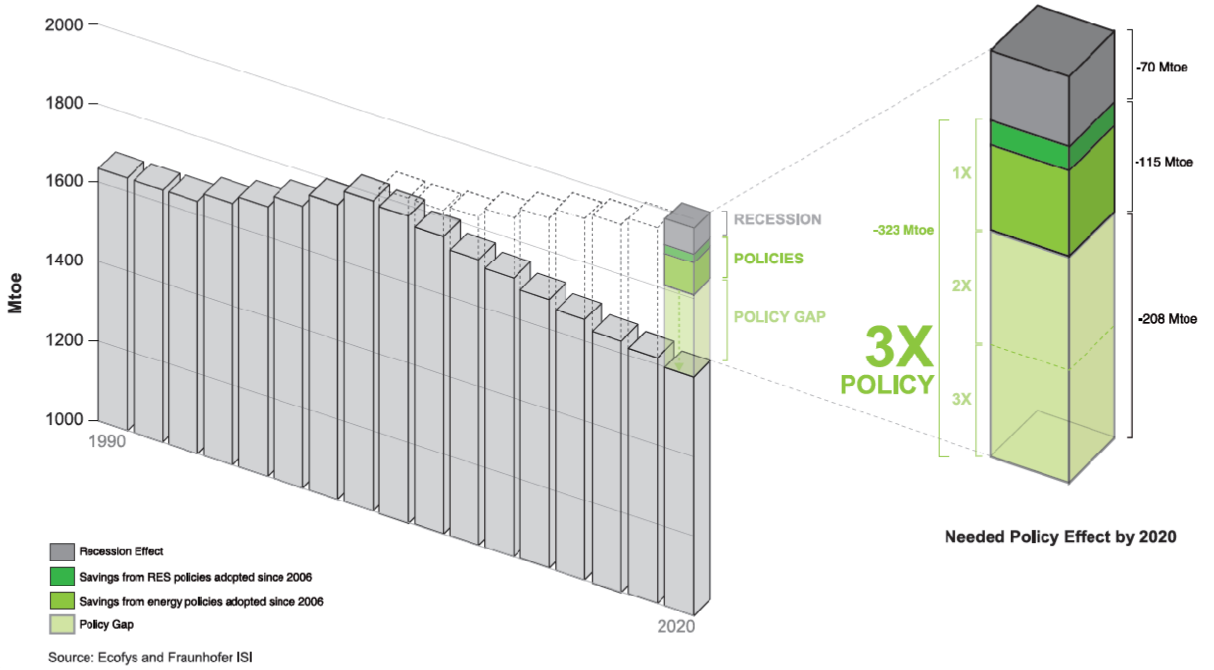
Global GHG emissions are currently circa 50 Giga tonnes CO2 equivalent. (www.climatetracker.com) as shown in Figure 1 below. In the Figure the upper reference line shows where GHG emissions are heading on a business-as-usual scenario. The red line shows the projected trajectory under existing GHG policies and plans. The solid line shows the trajectory required to reduce GHG levels in the atmosphere to the 440ppm, and the lower dotted line is the trajectory needed to reach the 350ppm level, which, according to Climate Change models is the average atmospheric CO2 concentrations needed to restrict the atmospheric temperature rise to 1.5°C. (IPCC), and avoid catastrophic impacts of Climate Change.

Figure 1 – Global Greenhouse Gas Emissions



There is a growing realization worldwide that these GHG emissions targets will not be met via implementation of current polices and plans. Various attempts to reduce GHG emissions to the required levels, particularly in the EU, have relied heavily on Cap-and-Trade type Emissions Trading Schemes (ETS) and increased generation of electricity from Renewable Energy. It is becoming clear that a "Policy Gap" is developing between the targets set and the actual rate of reduction of GHG. Current policies will not meet the GHG targets, which can only be met by using significantly less energy. The EU recently issued a Directive to all 27 member States that in addition to the legally binding ETS and Renewable Energy schemes, total energy consumption must be reduced by 20% by 2020. Binding legislation to meet the 20% Energy Savings targets are expected to be introduced in the EU in the near future. The effectiveness of current EU regulations and programs must increase by a factor of 3 to meet the GHG reduction targets by 2020 as shown in Figure 2 below.

Figure 2 – European Union Greenhouse Gas Policy Gap



Mtoe = Million tonnes oil equivalent

This Policy Gap in the EU is equivalent to approximately 2330 TWh of electricity, or the annual power required by 12 million EU households. This is the amount of power generated by 50 x 550 MW fossil fuel power plants.

To achieve large savings in energy usage will require significant improvements in Energy Efficiency, particularly in the energy intensive industry and power generation sectors. Energy Efficiency standards and Best Available Energy Efficiency Technology regulations can be expected as an integral part of any Energy Savings schemes.

A recent report from the International Energy Agency (IEA) highlighted the massive investment needed in new renewable energy, nuclear and clean fossil power generation capacity in order to reach the GHG targets. The IEA report also stated that if the world's economies hope to wean themselves from fossil fuels, they will have to significantly improve energy efficiency and begin to harness power from sources such as waste heat from factories (Waste-Heat-to-Power or WH2P).

Wasabi Energy's Kalina Cycle® technology is one of the most efficient WH2P systems currently available. It can make significant contributions to energy efficiency and GHG savings particularly in the energy intensive industrial sectors such as cement, steel, oil refining and chemicals.

Climate change also affects water sources and supply. Globally only 2.5% of all water on the earth is available as fresh water and only 2.5% of that water is suitable for drinking water. Water conservation is becoming a key issue to ensure that we have enough water for food production, industry and human consumption.

There is no substitute for clean water and water treatment and desalination techniques increase the cost of clean water production. The demand for clean water is leading to an increasing demand for more efficient use of water and water conservation. Throughout the world there are significant financial resources allocated annually by governments and businesses to create and conserve water. The secure supply of water is one of the most critically important issues that faces the world.

As the global emphasis turns to sustainable solutions, the marketplace for our technologies and products grows. The demand for green power and fuels and the need to conserve our water are key drivers for our business success. The business model is built around solving environmental issues by using the competitive edge provided by our own intellectual property to make the solutions commercially attractive to our clients.

REVIEW OF OPERATIONS

Global Geothermal

Global Geothermal Limited ("GGL") achieved a number of significant milestones during the year. GGL holds the intellectual property and engineering capability, through the wholly owned subsidiary Recurrent Engineering LLC, for the Kalina Cycle® power technology. The Kalina Cycle® power technology takes low-grade heat and turns it into power. Wasabi Energy continued to progress toward its 100% ownership of GGL and we have in place an agreement to conclude that arrangement.
The strategy for the Kalina Cycle® power technology is twofold; firstly to continue to develop key industry or regional
Licensees to accelerate the implementation of the technology, and secondly, to build, own and operate our own plants to be an independent power producer. We are focused on two market areas; Enhanced Energy Efficiency, through the capture of industrial waste heat, and Renewable Energy Generation, extracting heat from renewable sources such as geothermal and solar thermal.

Our Chinese licensee, Shanghai Shenghe New Energy Resources and Technology ("SSNE") powered the Shanghai Pavilion at the World Expo through using Kalina Cycle® Power technology from solar thermal heat sources. They continued to develop their strategy with the development of a state of the art testing and laboratory facility which will assist in the testing of major components including 1:1 scale heat exchangers and turbine assembly along with full factory testing capability for the Kalina Cycle® power system with rated power outputs of up to 5,200 kW. The facility will also incorporate a Kalina Cycle® power plant simulator that will assist in operator training and process improvements. SSNE also conducted a successful field evaluation in Taiwan of the Kalina Cycle® power technology against a competitor technology. The field performance test demonstrated that the Kalina Cycle® power technology was more efficient in producing power and was more reliable. SSNE is in discussions with Taiwan's Bureau of Energy for a Kalina Cycle® power plant. Through the development of the Kalina Cycle® power plant for the World Expo pavilion, SSNE have been contracted to complete the second Eco-Gen Kalina Cycle® power plant for small scale hot springs in Japan. SSNE are finalising the completion of the unit which will be delivered in the second half of 2011.

SSNE are continuing to pursue industrial waste heat applications and are in discussions with major petrochemical, cement and power companies.

In January 2011, we announced a contract with FLSmidth, a global provider to the cement and lime industries, at the DG Khan cement plant in Khairpur, Pakistan. The contract is for the engineering and procurement of an 8,600 kW Kalina Cycle® power plant which is due for completion in early 2012.

In June we also announced a global license agreement with FLSmidth. This agreement will see the rapid global deployment of Kalina Cycle® power plants into the energy intensive cement and lime industries. We are well advanced in the engineering of two plants and there is a pipeline of over 10 plants that are under review. Under the license agreement GGL receives an upfront fee for training and technology transfer and then a royalty for each kilowatt of installed power capacity.

Other contracts underway within GGL include the Eco-Gen Kalina Cycle® units for the Geothermal Energy Research & Development Co Ltd ("GERD") in Japan. The units have been developed specifically for the Japanese hot spring market and other low enthalpy geothermal markets. GERD has two units under production and there have been significant improvements to the units in their design and operational efficiency. The first unit will be installed in Japan in late 2011. Both Kalina Cycle® power plants will be installed as power demonstration plants in Japan. Power issues are at the forefront following the recent earthquake and the resultant power shortages. Based on estimates by GERD and GGL the existing Japanese hot spring market could potentially sustain more than 14,000 Eco-Gen Kalina Cycle® power units. The enhanced thermodynamics of the Kalina Cycle® combined with the cascaded utilisation of the hot spring water as proposed by GERD represents approximately 718 MW of power generation potential from the hot springs.

Our build, own, operate strategy also progressed with two plants announced. At Husavik, Iceland, we have purchased a Kalina Cycle® power plant in which a lack of correct maintenance and operating procedures had led to mechanical failures. GGL are in the process of repowering the 2,000 kW Kalina Cycle® power plant that will commence operations in early 2012. The power will be sold to a local power provider. In addition, the plant provides heat for the nearby city.

In conjunction with our licensee, Exorka, we announced in June 2011 a build, own, operate plant with its parent Geysir and the Swiss utility, AXPO. The 4,500 kW Kalina Cycle® power plant will use geothermal fluids to produce both power and town heating. Drilling at the site is underway and we expect the plant to be completed in 2013. Wasabi Energy will earn up to 15% of the project equity through the provision of the power plant.

The ongoing demand for power and the focus on technologies to reduce greenhouse emissions have resulted in an increase in the number of opportunities for Kalina Cycle® power plants. We are in discussions with major companies in the petrochemical, steel and mining industries for potential power plants. In addition, we have focussed marketing efforts in South Africa and Turkey for build, own, operate opportunities.

In the coming year our efforts are concentrated on the successful commissioning of the GERD units, Khaipur and Husavik Kalina Cycle® power plants, as well as supporting the growing business development pipeline. We have opened a new office in Houston, USA and have grown our engineering team to meet the demand. We are continually enhancing our intellectual property and maintaining our broad patent portfolio.

Aqua Guardian Group

Wasabi Energy maintains a 47.5% interest along with convertible notes in the Aqua Guardian Group (AGG). During the financial year AGG commercially launched their innovative water conservation product, AquaArmour™. A self ballasted, floating module that can reduce evaporation by up to 88%. The product is patented and is fully owned by AGG.

AquaArmour™ has been deployed on three sites in Victoria, Australia. Two of the sites have undertaken water quality testing and the results show that the water quality improves due to lower algae growth and lower water temperatures. With Grampians Wimmera Mallee ("GWM") Water, AGG have been conducting trials with 21,000 AquaArmour™ modules. The trial is being verified by independent third parties SA Water and Bio 21. The trials were completed in June and the report will be released in September 2011. These reports will show that there were no adverse effects on water qualities or the environment

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AGG has rolled out in store stands to the IHD Group, a rural supplier in Australia, at a number of its supply stores. IHD Group has significant market share in key agricultural markets throughout regional Australia through their network of over 190+ outlets. The AquaArmour™ modules will be available to be self deployed by farmers on their dams in rural areas to prevent evaporation and conserve their water.

In May, AGG announced a joint venture with Srithai Superware PLC ("Srithai"). Srithai is a leading distributor and manufacturer of plastic products and melamine. They operate significant manufacturing capacity across South-East Asia including Thailand, China, Vietnam, Indonesia and India as well as distributing products to over 100 countries.

Under the framework of the envisaged joint venture, the parties plan to jointly establish an AquaArmour™ demonstration project in Asia. AGG will provide access to intellectual property and know-how relating to design and installation of AquaArmour™ modules while Srithai will provide experience in the distribution and efficient manufacturing of AquaArmour™. The South-East Asian market for AquaArmour™ is extensive with a number of opportunities in the municipal water and agricultural sectors. A market evaluation has also identified additional high value opportunities for AquaArmour™, particularly in the hydropower and aquaculture sectors in South-East Asia.

Marketing of AquaArmour™ has continued with water authorities and AGG has also conducted extensive marketing in the mining and agricultural industries. In April 2011, AquaArmour™ won the prestigious "Most Environmentally Friendly Product" award at the 2011 Mining Australia Exhibition in Western Australia. This award signifies the major importance and benefits that AquaArmour™ brings to the mining industry as a simple and highly effective water conservation measure. AGG are currently in advanced discussions with a number of global mining companies for deployment of AquaArmour™ on their sites.

The manufacturing strategy remains on track with Venture Industries, a global plastics manufacturer. AGG are continuing to look at alternative moulds and manufacturing methods for best practice manufacturing and to increase the rate of manufacture of the units.

Wasabi Energy announced in June 2011 that AGG had agreed to purchase shares in Clean TeQ Holdings Limited, taking its holding to approximately 18.9%. Clean TeQ (ASX:CLQ) is a leading Australian clean technology company focused on providing smart environmental solutions for air and water purification and the recovery of mineral resources. Clean TeQ's licensed and proprietary technologies provide their customers with focused, fit for purpose solutions that are specifically targeted at overcoming environmental issues.

AGG has a strategy of becoming a major water company with diverse products and partnerships to provide solutions to issues around water quality and availability. The holding and ongoing support of Clean TeQ is in line with this strategy.

AquaArmour™ is attracting substantial interest in Northern Asia and North America where the Aqua Guardian Group is developing a major global product 'roll-out' strategy. Given the extensive global market potential of AquaArmour™, and the extremely strong interest in the product, Wasabi Energy and the Aqua Guardian Group, are looking at a number of options for the accelerated growth of the business. One option under consideration is an equity raising through an initial public offering (IPO). In any IPO, Wasabi Energy intends to maintain a majority interest in Aqua Guardian Group. The additional equity raised would be used to accelerate the global roll out of the AquaArmour™ product.

Australian Renewable Fuels

Australian Renewable Fuels (ASX:ARW) consolidated its position in the biofuel industry in Australia through the proposed acquisition of Biodiesel Producers Limited ("BPL"). Together with the existing plants in Picton, Western Australia and Largs Bay, South Australia, and the BPL plant in Barnawatha, Victoria, the total production capacity is now up to 150 million litres per annum of 100% biodiesel. The processing plants all use non-food grade feedstock and meet Australian and international standards for biodiesel.

One of the key variables in biodiesel production is the price and availability of the feedstock. During the past year ARW has secured Recycled Mill Oil (RMO) from Indonesia that will be used to produce biodiesel. The product is a very high acid, un-edible effluent product that is recovered from the waste water systems of the mills in Indonesia.

ARW has landed an initial 100 ton load to Australia for processing. Under a contract with GlobalBiofuel Trading they have the rights to 150,000 tons per annum at a fixed price. In addition, under the terms of the contract, GlobalBiofuel Trading has a take or pay contract for 30 million litres of biodiesel.

The RMO has a higher content of free fatty acids ("FFA") so it is necessary to process it through a pre-treatment prior to refining it in the existing facilities. These pre-treatment facilities are currently under construction. Securing the volume of RMO at a fixed price provides certainty for ARW in terms of supply and price. This strategic position will allow them to operate profitably in the future. In addition the recovery of the RMO has positive environmental impact on the local production sites in Indonesia.

Within Australia the current consumption of biodiesel is approximately 3% of the total mineral diesel consumption. ARW secured a number of significant supply contracts during the year including not less than 240,000 litres per month with Caltex Australia and the supply of biodiesel to Logicoil Pty Ltd for use in mining operations. With ongoing pressure to provide green fuels there is a lot of upside for demand of biodiesels.

In addition to the positive market demand, legislation for biodiesel has become more certain within Australia. ARW joined an antidumping petition to Australian Customs for US biodiesels that were being sold in large volumes and low prices to the Australian market. In April 2011, Australian Customs found in favour of the antidumping and a dumping margin of 40% will be applied to all biodiesel imported into Australia from the US to bring it to market parity. In May 2011 the Australian Government introduced Alternative Fuels Legislation that confirmed that the current taxation arrangements will remain in place for another 10 years for renewable fuels including biodiesel. This effectively means that the local production is exempt from an excise tax whilst imported materials are subject to the tax, providing further protection for the local industry.

In August and September 2010, ARW undertook a placing and Rights Issue in order for them to repay debt owing to Wasabi Energy and to position itself with a strong balance sheet to progress its offer for BPL and in establishing the feedstock arrangements with GlobalBiofuel Trading.

The upcoming year will be pivotal for ARW. Our expectations are that the business will become profitable from the production and supply arrangements it now has in place.

Corporate

Wasabi Energy continued to implement its strategy of becoming a profitable green company. In December we achieved a major milestone through the listing on the AIM market of the London Stock Exchange. This listing provides a broader focus for the company that better reflects the key global markets in which we operate.

The AIM listing was oversubscribed and in February, 2011, an additional placement was made to major institutional investors. The listing on AIM has attracted key investors such as Audley Capital, BlackRock and Artemis that have confidence in the company and the magnitude and diversity of opportunities available to us through our platform of key technologies, most notably, the Kalina Cycle® power technology. The funds raised are being used to accelerate the deployment of our technologies. In particular, we are progressing our market penetration of the Kalina Cycle® power technology and the advancement of our build, own, operate strategy.

In line with our focus on core investments we have sold down the majority of our holdings in Rum Jungle, Greenearth Energy Limited and Aviva Corporation.

As part of the purchase of shares in GGL from Amp Capital Partners in May 2010, Wasabi issued a US$1m loan note which was due for repayment in 2014. During the financial year, Wasabi was able to repay this note at a discount to its face value which resulted in a gain of approximately $0.3m being recorded in this financial year.

In December 2010, Wasabi Energy also strengthened its management team by appointments to two key positions. A role of President International was formed to further business development and to provide focus on the build, own, operate strategy, particularly in the steel industry. Nico Bleijendaal was appointed to this role and he brings extensive experience in the steel industry to the organisation. I was also appointed to the role of Chief Operating Officer to improve business governance and provide direction to the operating entities of Wasabi Energy.

For Wasabi Energy, the year ahead is one of consolidation of our activities this year with the delivery of a number of Kalina Cycle® power plants and the closing of a number of significant opportunities in the build, own, operate area. For AGG, the securing of some large contracts for AquaArmour™ and the successful conclusion of an IPO will see the business become more globally focused. In the biodiesel area, ARW will be processing the RMO feedstock to deliver profitable sales.

The market environment is positive for Wasabi Energy and we have many opportunities ahead of us. We look forward to delivering on our strategy of becoming a profitable green technology company providing sustainable solutions to environmental issues.

Diane Bettess
Chief Operating Officer

Directors' report

The directors of Wasabi Energy Limited present their annual financial report of the Company for the year ended 30 June 2011. The directors report as follows:

The names and particulars of the directors of the Company during or since the end of the financial year are:

Name, qualifications	**Particulars**
Mr. John Byrne	Mr. Byrne has over 30 years' experience in the natural resources industry as an investor and resource business developer. During the past 10 years Mr. Byrne has founded and built a number of companies from the ground up, including from development through to production. In this period he has been instrumental as either CEO or Executive Chairman in overseeing the building of 6 coal mines (in Canada, the US and the UK) along with 3 wash plants, totaling in excess of $500 million of expenditure. Until May 2010 Mr. Byrne was Chairman of Western Coal Corporation, a global coal producer. Since retiring from Western Coal Corporation, Mr. Byrne is now concentrated on identifying projects in and solutions to a number of sustainability issues that exist in the world today. Mr. Byrne is also an executive director of Global Geothermal Limited. Appointed 8 May 2009.
Mr. Stephen Morris	Mr Morris has more than 20 years' experience in international investment and management in a wide range of industries. Mr Morris is founder and Chief Executive of Fifth Avenue Capital Inc (a venture capital company) and a founder and director of FAC Smaller Strategic Opportunities Inc. as an early stage resource investor. Mr Morris is also a non-executive director of Sallies Ltd, a JSE listed fluorspar producer. Mr. Morris is an executive director of Global Geothermal Limited. Appointed 13 November 2006.
Mr. Robert Reynolds, *Master Eng.(Mining)*	Mr. Reynolds is a mining engineer with more than 30 years experience in Australia and overseas in coal marketing as well as coal mining management and engineering. Mr. Reynolds is a consultant providing marketing advice and services to a number of national and international coal producers. Mr. Reynolds past experience was with Southland Coal, Oceanic Coal and BHP. Appointed 10 August 2005.
Mr. Robert Vallender, *B Comm.*	Mr. Vallender has over 30 years of management and new technology product development experience in Australia and North America. Mr. Vallender is a consultant providing independent marketing and capital project sales advice to the Australian and European iron and steel and primary metals industries. He has dealt with major manufacturers and producers including Alcoa, U.S. Steel and General Motors. Appointed 10 August 2005.
Dr. Malcolm Jacques, *Ph.D. Chemical Engineering*	Dr Jacques is an independent energy consultant, focusing on the Renewable and Clean Energy sectors, with special emphasis on technical and regulatory issues associated with the integration of distributed and renewable energy sources into existing power grids. Dr Jacques maintains close working relationships with policy makers, regulators, financial organizations and consultants in the energy sectors in Europe and the USA. Dr Jacques' international career has embraced research, development and implementation of numerous energy technologies in both the public and private sectors. He has worked with several well known companies and organizations including BP Ventures (UK), The Energy Laboratory, MIT (Cambridge, USA), Strategic Research Foundation (Australia) and has played key roles in the establishment and management of public and private energy technology companies in Australia and North America. Dr Jacques is also an executive director of Global Geothermal Limited. Appointed 2 March 2010

Directors' report (cont'd)

Directorships of other listed companies
Directorships of other listed companies held by directors in the 3 years immediately before the end of the financial year are as follows:

Name	Company	Period of directorship
John Byrne	Mandalay Resources Limited (Canada)	2009 – 2011
	Western Coal Corporation (Canada)	2000 – 2010
	Cambrian Mining Plc (UK)	2002 – 2009
	Northern Energy & Mining Inc (Canada)	2006 – 2009
	East Coal Inc (Canada)	2008 – current
Stephen Morris	Sallies Ltd (South Africa)	2009 – current

Shareholdings
The following table sets out key management personnel's relevant interests in shares and options of the Company as at the date of this report.

During and since the end of the financial year 50 million options (2010: 58 million) were granted as part of their remuneration.

Each option when exercised entitles the holder to one ordinary share.

Directors and senior management	Fully paid ordinary shares Number	Options Number
Directors		
John Byrne	213,784,953	41,000,000
Stephen Morris	33,057,338	2,128,929
Robert Reynolds	18,942,627	10,000,000
Robert Vallender	5,106,438	15,000,000
Malcolm Jacques	4,000,000	10,000,000
Senior Management		
Diane Bettess	4,500,000	15,000,000
Nico Bleijendaal	-	15,000,000
Bruce Levy	8,500,000	5,000,000
Alwyn Davey	157,106	8,000,000
Kesh Thurairasa	1,202,554	5,000,000

During and since the end of the financial year an aggregate of 50,000,000 share options were granted to the following directors and officers of the company as part of their remuneration:

Directors and senior management	Number of options granted	Issuing entity	Number of ordinary shares under option
Directors			
Malcolm Jacques	10,000,000	Wasabi Energy Ltd	10,000,000
Senior Management			
Diane Bettess	15,000,000	Wasabi Energy Ltd	15,000,000
Nico Bleijendaal	15,000,000	Wasabi Energy Ltd	15,000,000
Bruce Levy	5,000,000	Wasabi Energy Ltd	5,000,000
Kesh Thurairasa	5,000,000	Wasabi Energy Ltd	5,000,000

Directors' report (cont'd)

Directors' meetings

The number of Directors' meetings (including meetings of Committees of Directors) and the number of meetings attended by each of the Directors of the Company held during the financial year. During the financial year, 12 Board meetings and 2 Audit Committee meetings were held during the period.

	Board of Directors		Audit and Finance Committee	
Name	Held	Attended	Held	Attended
John Byrne	12	11	2	2
Stephen Morris	12	12	-	-
Robert Reynolds	12	11	2	2
Robert Vallender	12	11	-	-
Malcolm Jacques	12	12	-	-

Company secretary

The name(s) and particulars of the Company secretary during or since the end of the financial year are:

Name	
Alwyn Davey	Mr Alwyn Davey was appointed to the position of Company Secretary on 9 July 2009. Mr Davey has experience in cross border mergers, acquisitions and investments as well as formally being a member of the Executive committee of Cambrian Mining Plc, a diversified mining group. He was a non-executive director for Energybuild Group Plc, a UK listed coal company and has been company secretary of a number of UK listed companies which were predominately part of the Cambrian Mining Plc group. Mr Davey holds an LLB degree from Waikato University, NZ.

Principal activities

The principal activity of the consolidated entity during the year was the continued management of its projects and investments.

Review of operations

The consolidated loss for the year amounted to $547,288 (2010: $8,482,739 loss).

The Review of Operations is set out on pages 5 to 7 of this report.

Changes in state of affairs

There was no significant change in the state of affairs of the consolidated entity during or since the year end.

Subsequent events

Except as noted below, there has not been any matter or circumstance that has arisen since the end of the financial period, that has significantly affected, or may significantly affect, the operations of the company, the results of those operations, or the state of affairs of the company in future financial periods

(i) On 15 August 2011, the company announced that it had agreed to underwrite a proposed rights issue up to $1,000,000 by Clean Teq. In line with this underwriting, the company has agreed to provide a facility to Aqua Guardian Group in order that they can partly sub-underwrite the proposed rights issue, as well as for Aqua Guardian Group to provide funds to Clean TeQ in advance of completion of the rights issue.

Future developments

Disclosure of information regarding likely developments in the operations of the consolidated entity in future years and the expected results of those operations may result in unreasonable prejudice to the consolidated entity and therefore have not been disclosed in this report.

Environmental regulations

The consolidated entity's operations are subject to environmental regulation under both Commonwealth and State legislation. There have been no significant known breaches of these regulations by the consolidated entity.

Dividends

No dividends have been paid or declared since the start of the year.

Directors' report (cont'd)

Shares under option or issued on exercise of options

Details of unissued shares or interest under option as at the date of this report:

Issuing Entity	Number of shares under option	Class of shares	Exercise price of option	Expiry date of options
Wasabi Energy Limited	247,967,174	Ordinary	1.0 cent	21 October 2011
Wasabi Energy Limited	52,128,929	Ordinary	1.6 cents	30 September 2012
Wasabi Energy Limited	8,000,000	Ordinary	2.0 cents	30 September 2012
Wasabi Energy Limited	30,000,000	Ordinary	2.3 cents	30 September 2012
Wasabi Energy Limited	6,500,000	Ordinary	2.8 cent	17 December 2013
Wasabi Energy Limited	48,150,000	Ordinary	3.9 cent	24 February 2013
Wasabi Energy Limited	10,000,000	Ordinary	3.4 cent	1 April 2014

Details of shares or interest issued during or since the end of the financial year as a result of exercise of an option are:

Issuing Entity	Number of Options converted to shares	Class of shares	Amount paid for shares	Amount un paid
Wasabi Energy Limited	191,862,222	Ordinary	$1,960,199	NIL

Indemnification of officers and auditors

The Company has entered into agreements to indemnify all the Directors and Officers named in this report against all liabilities to persons (other than the Company), which arise out of the Directors and Officers conduct unless the liability relates to conduct involving a lack of good faith or is otherwise prohibited by law. The Company has agreed to indemnify the Directors and Officers against all costs and expenses incurred in defending an action that falls within the scope of the indemnity and any resulting payments.

In accordance with common commercial practice, the insurance policy prohibits disclosure of the nature of the liability insured against and the amount of the premium.

The Company has not during or since the end of the year indemnified or agreed to indemnify an auditor of the Company against a liability incurred as auditor.

Non-audit services

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in note 32 to the financial statements.

The directors are satisfied that the provision of non-audit services, during the year, by the auditor (or by another person or firm on the auditor's behalf) is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in note 32 to the financial statements do not compromise the external auditor's independence, for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor, and
- none of the services undermine the general principles relating to auditor independence as set out in Code of Conduct APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional & Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

Auditor's independence declaration

The auditors' independence declaration is included on page 64 of the annual report.

Directors' report (cont'd)

Remuneration report – audited

This remuneration report, which forms part of the directors' report, sets out information about the remuneration of Wasabi Energy Limited's directors and its senior management for the financial year ended 30 June 2011. The prescribed details for each person covered by this report are detailed below under the following headings:

- directors and senior management personnel details
- remuneration policy
- relationship between the remuneration policy and Company performance
- remuneration of directors and senior management
- key terms of employment contracts.

Directors and senior management personnel

The following persons acted as directors of the Company during or since the end of the financial year:

Executive Directors

John Byrne
Stephen Morris
Malcolm Jacques

Non-executive directors

Robert Vallender
Robert Reynolds

The term 'senior management' is used in this remuneration report to refer to the following key management personnel. Except as noted, the named key management personnel held their current position during or since the end of the financial year:

Diane Bettess (Chief Operating Officer – Wasabi Energy Limited) appointed 20 December 2010
Nico Bleijendaal (President – International – Wasabi Energy Limited) appointed 20 December 2010
Bruce Levy (Managing Director – Global Geothermal Limited)
Alwyn Davey (Company Secretary – Wasabi Energy Limited)
Kesh Thurairasa (Financial Controller – Wasabi Energy Limited)

Remuneration policy

The Board policy for determining the nature and amount of key management personnel and other remuneration is agreed by the Board of Directors.

The terms 'remuneration' and 'compensation' are used interchangeably throughout this report.

Key management personnel have authority and responsibility for planning, directing and controlling the activities of the Company. Key management personnel comprise the directors of the Company and senior management of the Company.

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

The compensation structures explained below are designed to attract and retain suitably qualified candidates, reward the achievement of strategic objectives, and achieve the broader outcome of creation of value for shareholders. The compensation structures take into account:

- the capability and experience of key management personnel and other employees; and
- the ability of key management personnel and other employees to control areas of their respective responsibilities

Directors’ report (cont’d)

Remuneration report – audited (cont’d)

Senior Executive Remuneration

Compensation packages for the Executive Directors and senior management include a mix of fixed and incentive based compensation.

The Board regularly reviews the policy regarding the appropriate mix of fixed and incentive based compensation for senior executives, having regard to industry practice and assistance from external remuneration advisers to ensure the Company attracts and retains the best people.

<u>Fixed compensation</u>

Fixed compensation consists of base compensation (which is calculated on a total cost basis and includes any FBT charges related to employee benefits including motor vehicles if any), as well as employer contributions to superannuation funds.

Fixed compensation levels are reviewed annually by the Board through a process that considers individual contributions and overall performance of the Group, as well as market relativity. A senior executive’s compensation is also reviewed on promotion.

<u>Incentive based compensation</u>

The Company does not currently operate a short-term incentive scheme and, in 2011, no cash awards were made to the executives except for B Levy as disclosed in the remuneration report. The Board did not operate a short-term incentive scheme for the 2011 financial year, however will review this in the context of the formal review of the Company’s broader executive remuneration policy to be undertaken during the 2012 financial year.

In 2011 and 2010, the Company issued options to Directors and senior executives. The current approach of not having time based vesting is considered appropriate. The Board will continue to review the appropriateness of the time based vesting conditions for future grants of options. There is no condition other than period of service. The company considers the issue of options sufficiently aligns the interest of the entity with the incentive given to key management personnel.

All options expire on the earlier of their expiry date or termination of the individual’s employment.

Non-Executive Director Remuneration

Non-Executive Director fees are paid within an aggregate limit which must not exceed $250,000 (excluding mandatory superannuation) per annum or such other maximum as determined by the Company in a general meeting.

The cash fees paid to Independent Non-executive Directors for the 2011 financial year were $25,000 (2010:$25,000) per annum, plus statutory superannuation.

All Non-Executive Directors are eligible to participate in the options granted.

All Non-Executive Directors are also entitled to be reimbursed for all reasonable travel, accommodation and other expenses incurred in attending meetings of the Board, committees or shareholders or while engaged on other Wasabi Energy Limited business.

Directors' report (cont'd)

Remuneration report – audited (cont'd)

Relationship between the remuneration policy and Company performance

The achievement of Company strategic objectives is the key focus of the efforts of the Company, and it is the leadership of the directors and senior management which makes the achievement of this aim possible. As indicated above, over the course of the 2011 financial year, the Board will review the Company's executive remuneration policy to ensure the remuneration framework remains focused on driving and rewarding executive performance, while being closely aligned to the achievement of Company strategic objectives and the creation of shareholder value.

Shareholder returns are primarily measured by the movement in share price from the start to the end of each financial year. No dividends have been declared in the past four financial years or the current financial year. As the Company remains in the growth phase of its life cycle, shareholder returns do not correlate with revenues and losses reported in any of the recent financial years. Shareholder returns are more dependent on the future expectation of Company performance rather than Company earnings.

The table below set out summary information about the consolidated entity's earnings and movement in shareholder wealth for the five years to 30 June 2011.

	30 June 2011	30 June 2010	30 June 2009	30 June 2008	30 June 2007
Revenue	4,047,090	756,532	2,674,183	5,184,053	14,647
Net (loss) /profit before tax	(547,288)	(8,482,739)	(14,772,581)	320,269	(4,268,207)
Net (loss) after tax	(547,288)	(8,482,739)	(13,110,680)	(551,867)	(4,268,207)
Share price at start of year (cents)	1.2	1.5	2.6	3.9	2.8
Share price at end of year (cents)	3.2	1.2	1.5	2.6	3.9
Dividends paid (cents	-	-	-	-	-
Basic and diluted (loss) per share (cents)	(0.02)	(0.65)	(1.59)	(0.07)	(0.87)

Directors' report (cont'd)

Remuneration report – audited (cont'd)

Remuneration of directors and senior management – audited

		Short-term employment benefits			Post-employment	Equity (Long-term)			
		Salary & Fees	Bonus	Non-monetary	Superannuation	Options Expensed in Year (1)	Share based payment	S300A(1) (e)(vi) Value of options as proportion of total remuneration	Total
Executive Director		$	$	$	$	$	$	%	$
John Byrne	2011	92,083	-	16,174	-	-	-	-	108,257
	2010	29,167	-	5,052	-	260,688	-	88	294,907
Stephen Morris	2011	157,150	-	-	-	-	-	-	157,150
	2010	352,053	-	-	-	130,344	-	27	482,397
Malcolm Jacques	2011	120,000	-	-	-	111,644	-	48	231,644
	2010	40,000	-	-	-	-	-	-	40,000
Tim Wise	2011	-	-	-	-	-	-	-	-
	2010	58,333	-	-	5,280	(221,410)	-	(144)	(153,827)
Non-executive directors									
Robert Reynolds	2011	25,000	-	-	2,250	-	-	-	27,250
	2010	25,000	-	-	1,687	130,344	-	83	157,031
Robert Vallender	2011	25,000	-	-	2,250	-	-	-	27,250
	2010	25,000	-	-	1,687	130,344	-	83	157,031
Senior Management									
Diane Bettess	2011	150,000	-	11,682	13,500	150,264	-	46	325,446
	2010	-	-	-	-	-	-	-	-
Nico Bleijendaal	2011	140,000	-	-	-	150,264	-	52	290,264
	2010	-	-	-	-	-	-	-	-
Bruce Levy (b)	2011	186,010	50,513	-	-	88,164	93,000	21	417,687
	2010	232,345	-	-	-	-	-	-	232,345
Alwyn Davey (a)	2011	150,000	-	10,572	13,500	-	-	-	174,072
	2010	-	-	3,136	-	80,306	-	96	83,442
Kesh Thurairasa (a)	2011	104,167	-	-	9,375	88,164	-	44	201,706
	2010	-	-	-	-	-	-	-	-
TOTALS	**2011**	**1,149,410**	**50,513**	**38,428**	**40,875**	**588,500**	**93,000**	**30**	**1,960,726**
TOTALS	**2010**	**761,898**	**-**	**8,188**	**8,654**	**510,616**	**-**	**40**	**1,289,356**

(a) Remunerated directly by the company since September 2010, prior to that via a service company by which they were employed.

(b) Remuneration to B Levy includes a signing on fee of 3m ordinary shares in Wasabi Energy and a cash bonus of US$50,000. The bonus was paid on 13 April 2011.

1. Determined using Black Scholes valuation method. Expensing of grant date fair value options on a straight-line basis over vesting period and includes value of options lapsed during the period due to the failure to exercise options before the expiry date.

Notes

- No cash awards were paid during the 2011 financial year (2010: Nil). All awards were made in the form of options.
- During the year 10,000,000 options were issued to directors and 40,000,000 to senior management.

Directors' report (cont'd)

Remuneration report – audited (cont'd)

Equity instruments

Options (note 34 (i))

During the financial year the Company issued 10,000,000 options to directors and the Board of Directors approved and the company issued 78,150,000 options to employees and consultants.

The options entitle the holder to acquire one share by way of issue.

Modification of terms of equity-settled share-based payment transactions
No terms of equity-settled share-based payment transactions (including options granted as compensation to key management personnel) have been altered or modified by the issuing entity during the reporting period or prior period.

Analysis of options over equity instruments granted as compensation

Details of vesting profiles of the options granted as remuneration to each key management person of the Group and Group executives is summarised in the table below.

		During the financial year			Value of options granted at the grant date (i), (ii)	Payable on exercise of each option
Name	**Option series**	**No. granted**	**No. vested**	**$ expensed in year**	$	cents
Directors						
Malcolm Jacques	(iii) Issued 29 Nov 10	10,000,000	10,000,000	111,644	111,644	1.6
Senior Management						
Diane Bettess	(iv) Issued 20 Dec 10	15,000,000	15,000,000	150,264	150,264	2.8
Nico Bleijendaal	(iv) Issued 20 Dec 10	15,000,000	15,000,000	150,264	150,264	2.8
Bruce Levy	(v) Issued 25 Feb 11	5,000,000	5,000,000	88,164	88,164	3.9
Kesh Thurairasa	(v) Issued 25 Feb 11	5,000,000	5,000,000	88,164	88,164	3.9

Notes

(i) The value of options granted is recognised in compensation on a straight line basis over the vesting period of the grant, in accordance with Australian accounting standards.

(ii) The fair value of the options at grant date was based on Black-Scholes model.

The options were provided at no cost to the recipients. In general, upon vesting, the holder will be entitled to exercise their options and acquire one fully paid ordinary share in the Company for each performance right.

During the financial year the following share-based payment arrangements were in existence:

Option series	Grant date	Expiry Date	Grant date fair value	Vesting date
(i) Issued 26th November 2009	25/09/09	30/09/12	1.3 Cents	Vests at date of grant
(ii) Issued 19th January 2010	19/01/10	30/09/12	1.0 Cents	Vests at date of grant
(iii) Issued 29th November 2010	29/11/10	30/09/12	1.1 Cents	Vests at date of grant
(iv) Issued 20th December 2010	20/12/10	30/09/12	1.0 Cents	Vests at date of grant
(v) Issued 25th February 2011	25/02/11	24/02/13	1.8 Cents	Vests at date of grant

There are no further services or performance criteria that need to be met in relation to options granted under series (i) – (v) before interests vests in the recipient, except that options are forfeited upon termination of employment.

During the year Stephen Morris exercised 7,871,071 options at 1.6 cents which was valued at $87,875.

Directors' report (cont'd)

Remuneration report – audited (cont'd)

Key terms of employment contracts

The remuneration and other terms of employment for the Executive Directors are set out in service letters. These letters makes provision for a fixed remuneration component, and options as a long-term incentive. The material terms of the service letters are set out below.

Term	Conditions	Position
Duration of contract	Ongoing until notice is given by either party	Executive Directors/Company Secretary/Senior Management
Voluntary termination (i.e. termination by executive by giving notice)	6 months' notice	Executive Directors/Company Secretary/Senior Management
Termination by Company without cause	6 months' fixed compensation or payment in lieu	Executive Directors/Company Secretary/Senior Management
Termination by Company for cause	Employment may be terminated immediately without notice if the executive commits any act or omission justifying summary dismissal at common law.	Executive Directors/Company Secretary/Senior Management

Signed in accordance with a resolution of the directors made pursuant to section 298(2) of the Corporations Act 2001.

On behalf of the Directors

John Byrne
Executive Director
Melbourne, 31 August 2011

CORPORATE GOVERANCE STATEMENT

Statement

Wasabi Energy Limited ("Company") continues to work towards implementing systems of control and accountability as the basis for the administration of corporate governance. This Corporate Governance Statement sets out the company's current compliance with the Australian Stock Exchange ("ASX") Corporate Governance Council's Principles and Recommendations, 2nd edition ("Recommendations"). The Company is currently considering, implementing or has followed each Recommendation where the Board has considered the Recommendation to be an appropriate benchmark for corporate governance practices, and is taking into account factors such as the size of the company and the Board, resources available and activities of the company. The board has resolved to establish a corporate governance committee in order to implement and review on an ongoing basis the development of the company's corporate governance systems.

Recommendations

1. Lay solid foundations for management and oversight

1.1 Companies should establish the functions reserved to the Board and those delegated to senior executives and disclose those functions. The company refers all major investment decisions to the Board for consideration and approval. Day to day operations of the Company is the responsibility of the Executive Directors.

1.2 Companies should disclose the process for evaluating the performance of senior executives. The performance of key executives is reviewed regularly by reference to ongoing performance of the company and its investments. The Board have resolved to form a Remuneration Committee who will perform this review going forward. At present terms of reference for this committee are not yet finalised.

2. Structure the Board to add value

2.1 A majority of the Board should be independent directors. Directors of Wasabi Energy Limited are considered to be independent when they are independent of management and free from any business or other relationship that could materially interfere with – or could reasonably be perceived to materially interfere with – the exercise of their unfettered and independent judgement.

In the context of director independence, 'materiality' is considered from both the company and individual director perspective. The determination of materiality requires consideration of both quantitative and qualitative elements. An item is presumed to be quantitatively immaterial if it is equal to or less than 5% of the appropriate base amount. It is presumed to be material (unless there is qualitative evidence to the contrary) if it is equal to or greater than 10% of the appropriate base amount. Qualitative factors considered include whether a relationship is strategically important, the competitive landscape, the nature of the relationship and the contractual or other arrangements governing it and other factors that point to the actual ability of the director in question to shape the direction of the company's loyalty.

In accordance with the definition of independence above, and the materiality thresholds set, the following directors of Wasabi Energy Limited are considered to be independent:

Name	Position
Robert Reynolds	Non-Executive Director
Robert Vallender	Non-Executive Director

The company's Board comprises 5 directors. Therefore, there is not a majority of independent directors on the Board; however the directors consider that the balance of independent and non-independent directors is appropriate given the size of the Board and the company.

There are procedures in place, agreed by the Board, to enable directors in the furtherance of their duties to seek independent professional advice at the company's expense.

2.2 The chair should be an independent director. The Chairman, John Byrne, is not considered as an independent director. Due to the size of the company and the board this is deemed acceptable to the directors of the company. Should the company increase in size then the company will consider, and if thought appropriate, appoint an independent director as chairman.

2.3 The roles of chair and Chief Executive Officer should not be exercised by the same individual. The chair and the Chief Executive Officer are both considered to be John Byrne. Due to the size of the company and the board this is deemed acceptable to the directors of the company. Should the company increase in size then the company will consider, and if thought appropriate, appoint a separate person to the role of Chief Executive Officer. The company has a Chief Operating Officer who assists the chairman in the management of the company.

2.4 The Board should establish a nomination committee. There is no specific nomination committee. Currently all members of the Board are part of this process to ensure the Board continues to operate within the established guidelines including when necessary, selecting candidates for the position of director. When a vacancy occurs, through whatever cause, or where it is considered that the company would benefit from the skills of an additional Director with particular skills, the Board will consider candidates with the appropriate expertise and experience. The directors consider that this is appropriate given the size of the Board and the company.

2.5 ***Companies should disclose the process for evaluating the performance of the Board.*** The performance of the Board is not currently reviewed annually. This performance is reviewed on an ad hoc basis by the board and directors are assessed based on the financial and non-financial objectives and results of the company. Directors whose performance is consistently unsatisfactory may be asked to retire. During the reporting period, the Board did not meet to specifically evaluate the performance of Board members, which was considered appropriate given the given the size of the Board and the company.

2.6 ***Companies should provide the information indicated in 'Guide to Reporting on Principle 2'.*** All of the information identified in the 'Guide to Reporting on Principle 2' has been satisfied either in the Corporate Governance Statement or the Directors' Report in the Annual Report. The skills, expertise and experience of directors relevant to their positions and their term in office are disclosed in the Directors' Report. The company's corporate governance policy, including the charters for its various Board committees, is available on the company's website.

3. **Promote ethical and responsible decision-making**

3.1 Establish a code of conduct and disclose the code or a summary of the code as to:

(a) the practices necessary to maintain confidence in the company's integrity;

(b) the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; and

(c) the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

The company has not yet established a formal written code of conduct. The board is currently reviewing this aspect of the corporate governance guidelines and will establish an appropriate code of conduct relative to the size of the company. Currently each of the directors is aware of the investment and corporate objectives of the company and is conscious of the expectations of the shareholders, investee companies and their stakeholders. Any activities of the company are undertaken in consideration of all legal and regulatory requirements as well as with consideration of the underlying value of the activity to shareholders and other stakeholders. The Company Secretary is primarily tasked with maintaining a high level of compliance on all aspects of the business and has the support of the board to achieve this outcome.

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 Board has a policy and procedure on dealing in the company's securities by directors, officers and employees which prohibits dealing in the company's securities when those persons possess inside information. It also provides that the acknowledgement of the chairperson and/or company secretary should be obtained prior to trading and that they have been advised by the chairperson or company secretary that there is no reason to preclude trading, for example during specific sensitive time periods. A summary of this policy is disclosed on the company's website.

3.3 ***Companies should provide the information indicated in 'Guide to Reporting on Principle 3'.*** The code of conduct policy and a summary of the company's securities trading policy are set out above and are available on the company's website.

4. **Safeguard integrity in financial reporting**

4.1 ***The Board should establish an audit committee.*** The Board has established an audit committee which operates under a charter approved by the Board. It is the audit committee's responsibility to ensure that an effective internal control framework exists within the entity. This includes internal controls to deal with the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information as well as non financial considerations such as the benchmarking of operations key performance indicators. The Committee will also provide the Board with additional assurance regarding the reliability of financial information for inclusion in the financial reports.

4.2 The audit committee should be structured so that it:

(a) consists of only non-executive directors;

(b) consists of a majority of independent directors;

(c) is chaired by an independent chair who is not chair of the Board; and

(d) has at least three members.

The audit committee was appointed on 9 July 2009 and comprises:

Name		***Qualifications***
John Byrne		Nil
Robert Reynolds	(Chairman)	Master Eng. (Mining)

In accordance with the definition of independence described in Recommendation 2.1 above, and the materiality thresholds set, Robert Reynolds is considered to be independent and is a non-executive director. John Byrne is not considered independent and is an executive director.

The committee is currently chaired by Mr Robert Reynolds who is not chair of the Board.

The committee has two members, only one of which is independent, which is less than the recommended minimum of three and a majority of independent directors, but given the size and nature of the Board, the directors consider that this is appropriate.

- **4.3** ***The audit committee should have a formal charter.*** The committee has a formal charter which is disclosed on the company's website.
- **4.4** ***Companies should provide the information indicated in 'Guide to Reporting on Principle 4'. T***he information identified in the 'Guide to Reporting on Principle 4' has been satisfied either in the Corporate Governance Statement or the Directors' Report in the Annual Report.

5. **Make timely and balanced disclosure**

- **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.*** The company has made the directors and the senior management of its subsidiaries and associates aware of the requirement for continuous and periodic disclosure to ensure the factual presentation of the company's financial position and market-sensitive information is maintained in an orderly and timely fashion. At present the company does not have a written policy due to the size of the company and the limited number of people and activities of the company. The board consider this is appropriate for the size of the company however it is currently reviewing its policies in regard to this Recommendation.
- **5.2** ***Companies should provide the information indicated in 'Guide to Reporting on Principle 5'.*** A summary of the company's continuous disclosure policy is set out above and if appropriate will be disclosed on the company's website.

6. **Respect the rights of shareholders**

- **6.1** ***Companies should design a communication 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 has a shareholders communication policy which aims to ensure that the shareholders are informed of all major developments affecting the company. All shareholders are able to receive the company's annual report. The company also encourages full participation of shareholders at its annual general meeting and at extraordinary general meetings when called. The company makes available a telephone and email address for shareholders to make enquiries of the company.
- **6.2** ***Companies should provide the information indicated in 'Guide to Reporting on Principle 6'.*** The company maintains a website on which it makes available: company announcements; shareholder meeting notices and explanatory materials; financial information and annual reports. The company is currently reviewing its website and where necessary will enhance the information available on that site.

7. **Recognise and manage risk**

- **7.1** ***Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.*** The identification and effective management of risk is viewed as an essential part of the company's approach to creating long-term shareholder value. In recognition of this, the Board has determined to form a Risk Committee to better determine the company's risk profile and this committee will be responsible for overseeing and approving risk management strategy and policies, internal compliance and internal control. This process is ongoing and will continue to be a focus of the committee and the board.
- **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 company will be establishing a risk management policy within which will be set out a framework for a system of risk management and internal compliance and control. Senior management as required will have responsibility for identifying, assessing, treating and monitoring risks and reporting to the Board on these risks and the extent to which it believes they are being adequately managed.
- **7.3** ***The Board should disclose whether it has received assurances from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295 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 Board has received a declaration from the Company Secretary, being an officer with primary responsibility as defined by section 295 of the Corporations Act, assuring that the declaration provided in accordance with section 295 of the Corporations Act is founded on a sound system of risk management and internal control and that the system, to the extent that they relate to financial reporting, is operating effectively in all material respects.
- **7.4** ***Companies should provide the information indicated in 'Guide to Reporting on Principle 7'.*** A summary of the company's risk management policy is disclosed on the company's website.

8. **Remunerate fairly and responsibly**

- **8.1** ***The Board should establish a remuneration committee.*** The Board is responsible for determining and reviewing compensation arrangements for the directors themselves and the executive officers and executive team. The Board has resolved to establish a remuneration committee, which will comprise of the chairman and two non-executive directors. The remuneration committee has not yet met. The terms of reference have not yet been adopted for the remuneration committee but these will include review and recommendation to the board on the company's remuneration, recruitment and termination for senior executives, review of executives' performance and a framework for directors' compensation.

8.2 ***Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executives.*** The Directors are paid $25,000 per annum (plus superannuation at 9%). Executive directors receive additional remuneration as set out in the 'Remuneration Report (audited)' section of the Directors Report. Further information regarding the executive and non-executive remuneration framework and payments is detailed in the 'Remuneration Report (audited)' section of the Directors Report.

8.3 ***Companies should provide the information indicated in 'Guide to Reporting on Principle 8'.*** There is no scheme to provide retirement benefits, other than statutory superannuation, to non-executive directors. The remuneration committee will established a formal charter which will be disclosed on the company's website. The company has not yet adopted a formal policy on prohibiting entering into transactions in associated products which limit the economic risk of participating in unvested entitlements under any equity-based remuneration schemes. All of the other information identified in the 'Guide to Reporting on Principle 8' has been satisfied either in the Corporate Governance Statement or the Directors' Report in the Annual Report.

Statement of comprehensive income for the financial year ended 30 June 2011

		Consolidated		Company	
	Note	2011 $	2010 $	2011 $	2010 $
Revenue	4	4,047,090	756,532	-	-
Cost of Sales		(4,137,386)	(627,640)	-	-
Gross (loss)/ profit		(90,296)	128,892	-	-
Other revenue		731,006	78,592	731,006	186,616
Finance income		217,966	289,455	291,229	263,142
Employee benefits expenses		(3,363,107)	(2,396,406)	(2,474,828)	(752,126)
Administration expenses		(774,939)	(1,245,294)	(580,671)	(748,008)
Depreciation and amortisation expenses	6	(114,295)	(38,855)	(95,103)	(19,276)
Travel expenses		(1,014,922)	(687,258)	(521,520)	(220,772)
Impairment of assets	6	-	(168,262)	(2,312,286)	(3,786,456)
Impairment of investments classified as held for sale		-	(1,653,685)	-	-
Gain recognised on loss of significant influence in former associate		8,134,181	-	5,499,527	1,802,730
Legal and professional fees		(2,113,093)	(518,045)	(1,204,480)	(241,777)
Patent costs		(234,270)	(303,415)	-	-
Exchange variation	6	(735,123)	64,527	(567,425)	60,870
Fair value gain/(loss) on options		1,414,056	(147,956)	1,414,056	(147,956)
Gain on derivative assets		-	122,863	-	122,863
Finance costs	5	(358,874)	(270,544)	(358,827)	(270,228)
Loss from equity accounted investments	13	(2,245,578)	(1,737,348)	-	-
Loss before tax		(547,288)	(8,482,739)	(179,322)	(3,750,378)
Income tax benefit	7	-	-		-
Loss for the year		**(547,288)**	**(8,482,739)**	**(179,322)**	**(3,750,378)**
Attributed to:					
Owners of the parent		(446,912)	(8,241,125)	(179,322)	(3,750,378)
Non-controlling interest		(100,376)	(241,614)	-	-
		(547,288)	(8,482,739)	(179,322)	(3,750,378)
Other comprehensive income					
Exchange reserve arising on translation of foreign operations		276,653	(272,636)	-	-
Gain/(loss) on available-for-sale investments taken to equity		536,308	(202,860)	536,308	(202,860)
Other comprehensive income for the period net of tax		812,961	(475,496)	536,308	(202,860)
Total comprehensive income for the period		265,673	(8,958,235)	356,986	(3,953,238)
Total comprehensive income attributable to:					
Owners of the parent		213,780	(8,690,972)	356,986	(3,953,238)
Non controlling interest		51,893	(267,263)	-	-
		265,673	(8,958,235)	356,986	(3,953,238)
Loss per share					
From continuing and discontinued operations:					
Basic (cents per share)	33	(0.02) cents	(0.65) cents		
Diluted (cents per share)	33	(0.02) cents	(0.65) cents		

Notes to the financial statements are included on pages 27 to 62.

Statement of financial position
as at 30 June 2011

		Consolidated		Company	
		2011	2010	2011	2010
	Note	$	$	$	$
Current assets					
Cash and cash equivalents	27	5,223,011	226,103	4,938,275	17,808
Trade and other receivables	8	3,644,182	2,962,469	7,279,754	2,932,119
Other financial assets	9	302,333	1,954,963	302,333	1,954,963
Noncurrent assets held for sale	10	7,005,057	2,156,000	7,005,057	2,156,000
Total current assets		**16,174,583**	**7,299,535**	**19,525,419**	**7,060,890**
Non-current assets					
Trade and other receivables	11	34,412	34,412	34,412	1,685,410
Assets classified as available-for-sale	12	946,495	350,701	946,495	350,701
Investments accounted for using the equity method	13	-	566,178	-	-
Other financial assets	14	-	-	-	1,732,910
Property, plant and equipment	15	169,923	180,024	161,536	176,589
Intangible assets	16	179,658	197,458	-	-
Total non-current assets		**1,330,488**	**1,328,773**	**1,142,443**	**3,945,610**
Total assets		**17,505,071**	**8,628,308**	**20,667,862**	**11,006,500**
Current liabilities					
Trade and other payables	17	1,160,853	1,619,510	548,255	788,301
Borrowings	18	446,155	-	446,155	-
Provisions	19	170,725	1,164	18,686	1,164
Total current liabilities		**1,777,733**	**1,620,674**	**1,013,096**	**789,465**
Non-current liabilities					
Trade and other payables	20	377,654	-	-	-
Borrowings	18	-	6,493,887	-	6,493,887
Total non-current liabilities		**377,654**	**6,493,887**	**-**	**6,493,887**
Total liabilities		**2,155,387**	**8,114,561**	**1,013,096**	**7,283,352**
Net assets		**15,349,684**	**513,747**	**19,654,766**	**3,723,148**
Equity					
Issued capital	21	48,362,897	34,125,003	48,362,897	34,125,003
Reserves	23	1,298,419	299,112	3,360,427	1,487,381
Accumulated losses	24	(34,181,845)	(33,734,933)	(32,068,558)	(31,889,236)
Total equity attributable to equity holders of the company		15,479,471	689,182	19,654,766	3,723,148
Non controlling interest	23.5	(129,787)	(175,435)	-	-
Total equity		**15,349,684**	**513,747**	**19,654,766**	**3,723,148**

Notes to the financial statements are included on pages 27 to 62.

Statement of changes in equity
for the financial year ended 30 June 2011

Consolidated

	Issued capital and contributed equity	Investment revaluation reserve	Foreign currency translation reserve	Share based payments reserve	Other reserves	Accumulated losses	Attributable to owners of the parent	Non controlling interest	Total
	$	$	$	$		$	$	$	$
Balance at 1 July 2009	**29,204,220**	**357,244**	**134,163**	**1,852,666**	**-**	**(25,493,808)**	**6,054,485**	**432,342**	**6,486,827**
Loss for the year	-	-	-	-	-	(8,241,125)	(8,241,125)	(241,614)	(8,482,739)
Movement in foreign exchange values	-	-	(246,987)	-	-	-	(246,987)	(25,649)	(272,636)
Gain/(loss) in AVS investments (note 23.1)	-	(202,860)	-	-	-	-	(202,860)	-	(202,860)
Total comprehensive income for the period	-	(202,860)	(246,987)	-	-	(8,241,125)	(8,690,972)	(267,263)	(8,958,235)
Recognition of share-based payments (note 23.3)	-	-	-	725,630	-	-	725,630	-	725,630
Reversal from forfeiture of options	-	-	-	(221,410)	-	-	(221,410)	-	(221,410)
Issue of shares	4,710,814	-	-	-	-	-	4,710,814	-	4,710,814
Issue of shares in subsidiary	-	-	-	-	-	-	-	17,072	17,072
Share issue cost (21.1)	(145,637)	-	-	-	-	-	(145,637)	-	(145,637)
Exercise of options (note 21.1)	355,606	-	-	-	-	-	355,606	-	355,606
Difference arising on increased control of subsidiary	-	-	-	-	(2,099,334)	-	(2,099,334)	(357,586)	(2,456,920)
Balance at 30 June 2010	**34,125,003**	**154,384**	**(112,824)**	**2,356,886**	**(2,099,334)**	**(33,734,933)**	**689,182**	**(175,435)**	**513,747**
Balance at 1 July 2010	**34,125,003**	**154,384**	**(112,824)**	**2,356,886**	**(2,099,334)**	**(33,734,933)**	**689,182**	**(175,435)**	**513,747**
Loss for the year	-	-	-	-	-	(446,912)	(446,912)	(100,376)	(547,288)
Movement in foreign exchange values	-	-	234,203	-	-	-	234,203	152,269	386,472
Gain/(loss) in AVS investments (note 23.1)	-	536,308	-	-	-	-	536,308		536,308
Total comprehensive income for the period	-	**536,308**	234,203	-	-	(446,912)	323,599	51,893	375,492
Recognition of share-based payments (note 23.3)	-	-	-	1,404,048	-	-	1,404,048	-	1,404,048
Issue of shares	13,633,133	-	-	-	-	-	13,633,133	-	13,633,133
Share issue cost (21.1)	(1,365,187)	-	-	-	-	-	(1,365,187)	-	(1,365,187)
Exercise of options (note 21.1)	1,969,948	-	-	(102,593)	-	-	1,867,355	-	1,867,355
Difference arising on increased control of subsidiary	-	-	-	-	(1,072,659)	-	(1,072,659)	(6,245)	(1,078,904)
Balance at 30 June 2011	**48,362,897**	**690,692**	**121,379**	**3,658,341**	**(3,171,993)**	**(34,181,845)**	**15,479,471**	**(129,787)**	**15,349,684**

Notes to the financial statements are included on pages 27 to 62.

Statement of changes in equity
for the financial year ended 30 June 2011

Parent

	Issued capital and contributed equity	Investment revaluation reserve $	Share based payments reserve $	Accumulated losses $	Total $
Balance at 1 July 2009	**29,204,220**	**357,244**	**822,381**	**(28,138,858)**	**2,244,987**
Loss for the year	-	-	-	(3,750,378)	(3,750,378)
Gain/(loss) in AVS investments (note 23.1)	-	(202,860)	-	-	(202,860)
Total comprehensive income for the period	**-**	**(202,860)**	**-**	**(3,750,378)**	**(3,953,238)**
Recognition of share-based payments (note 23.3)	**-**	-	732,026	**-**	732,026
Reversal from forfeiture of options	**-**	-	(221,410)	**-**	(221,410)
Issue of shares	4,710,814	-	-	-	4,710,814
Share issue costs (note 21.1)	(145,637)	-	-	-	(145,637)
Exercise of options (note 21.1)	355,606	-	-	-	355,606
Balance at 30 June 2010	**34,125,003**	**154,384**	**1,332,997**	**(31,889,236)**	**3,723,148**
Balance at 1 July 2010	**34,125,003**	**154,384**	**1,332,997**	**(31,889,236)**	**3,723,148**
Profit/(loss) for the year	-	-	-	(179,322)	(179,322)
Gain/(loss) in AVS investments (note 23.1)	-	536,308	-	-	536,308
Total comprehensive income for the period	**-**	**536,308**	**-**	**(179,322)**	**356,986**
Recognition of share-based payments (note 23.3)	**-**	-	1,439,331	**-**	**1,439,331**
Issue of shares	13,633,133	-	-	-	13,633,133
Share issue costs (note 21.1)	(1,365,187)	-	-	-	(1,365,187)
Exercise of options (note 21.1)	1,969,948	-	(102,593)	-	1,867,355
Balance at 30 June 2011	**48,362,897**	**690,692**	**2,669,735**	**(32,068,558)**	**19,654,766**

Notes to the financial statements are included on pages 27 to 62.

Cash flow statement
for the financial year ended 30 June 2011

	Note	Consolidated 2011 $	Consolidated 2010 $	Company 2011 $	Company 2010 $
Cash flows from operating activities					
Receipts from customers		3,828,086	1,795,281	224,425	48,452
Interest and finance costs paid		(37,338)	(59,335)	(37,291)	(59,335)
Payments to suppliers and employees		(9,853,213)	(4,689,550)	(3,304,760)	(1,100,347)
Sundry Income		-	27,520	-	27,022
Net cash used in operating activities	27	(6,062,465)	(2,926,084)	(3,117,627)	(1,084,208)
Cash flows from investing activities					
Interest received		208,120	1,201	206,479	1,201
Payment for plant and equipment		(89,563)	(192,204)	(81,653)	(192,204)
Proceeds from sale of equity investments		6,790,083	118,118	6,790,083	118,118
Loans to associate entity	31(d)	(2,525,732)	(2,800,000)	(2,525,732)	(2,800,000)
Payment for deposits		-	(34,412)	-	(34,412)
Amount advanced to controlled entities		-	-	(3,123,047)	(1,495,172)
Payment for increased shareholding in subsidiaries and associates		(1,664,630)	(2,485,796)	(1,664,630)	(2,485,796)
Loan repaid by associate entity		1,350,751	100,000	1,350,751	100,000
Net cash used in investing activities		4,069,029	(5,293,093)	952,251	(6,788,265)
Cash flows from financing activities					
Proceeds from issue of shares		13,925,960	4,950,220	13,925,960	4,933,148
Proceeds from borrowings		1,025,000	5,225,127	1,025,000	5,225,127
Repayment of borrowings		(6,194,906)	(2,365,602)	(6,194,906)	(2,365,602)
Capital raising costs		(1,365,187)	(125,637)	(1,365,187)	(125,637)
Net cash provided by financing activities		7,390,867	7,684,108	7,390,867	7,667,036
Net (decrease) / increase in cash and cash equivalents		5,397,431	(535,069)	5,225,491	(205,437)
Cash and cash equivalents at the beginning of the financial year		226,103	891,555	17,808	223,245
Effect of movement in exchange rates on cash balances		(400,523)	(130,383)	(305,024)	-
Cash and cash equivalents at the end of the financial year		**5,223,011**	**226,103**	4,938,275	17,808

Notes to the financial statements are included on pages 27 to 62.

Notes to the financial statements for the financial year ended 30 June 2011

1. General information

Wasabi Energy Limited is a company limited by shares, incorporated and domiciled in Australia. The principal activities of the company and its subsidiaries are disclosed in note 3. Wasabi Energy's registered office and its principal place of business are as follows:

Registered office	**Principal place of business**
Level 9, 175 Collins Street,	Level 9, 175 Collins Street,
Melbourne VIC 3000	Melbourne VIC 3000

2. Summary of accounting policies

Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and complies with other requirements of the law.

The financial report includes the separate financial statements of the Company and the consolidated financial statements of the Group.

Accounting Standards include Australian Accounting Standards. Compliance with Australian Accounting Standards ensures that the financial statements and notes of the company and the Group comply with International Financial Reporting Standards ('IFRS').

Basis of preparation

The financial report has been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments that are measured at revalued amounts or fair values as explained in the accounting policies below. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The financial statements were authorised for issue by the directors on 31 August 2011.

Critical accounting estimates and judgements

In the application of the Group's accounting policies, management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgments. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The key critical accounting estimates and judgments are:

- Financial assets, including investments in associates, have been assessed for indicators of impairment at the end of each reporting period. Financial assets were considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after initial recognition of the financial asset, the estimated future cash flows of the investment have been effected (Note 9).
- Share options issued by the Company have been valued using a Black-Scholes pricing model (Note 34).

Options held by the Company in other listed entities have been valued using a Black-Scholes pricing model (Note 34).

Adoption of new and revised accounting standards

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current annual reporting period beginning 1 July 2010. Details of the impact of the adoption of these new accounting standards are set out in the individual accounting policy notes set out below. The Group has adopted the following Standards as listed below which only impacted on the Group's financial statements with respect to disclosure:

Standards affecting presentation and disclosure

Amendments to AASB 7'Financial Instruments: Disclosure'.	The amendments (part of AASB 2010-4 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project') clarify the required level of disclosures about credit risk and collateral held and provide relief advance of effective from disclosures previously required regarding renegotiated loans.

2. Summary of accounting policies (cont'd)

Standards affecting presentation and disclosure (cont'd)

Amendments to AASB 5'Non-current Assets Held for Sale and Discontinued Operations'	Disclosures in these financial statements have been modified to reflect the in AASB 2009-5 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project' that the disclosure requirements in Standards other than AASB 5 do not generally apply to noncurrent assets classified as held for sale and discontinued operations.
Amendments to AASB 101'Presentation of Financial Statements' (adopted in advance of effective date of 1 January 2011)	The amendments (part of AASB 2010-4 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project') clarify that an entity may choose to present the required analysis of items of other comprehensive income either in the statement of changes in equity or in the notes to the financial statements.
AASB107.56 Amendments to AASB 107'Statement of Cash Flows'	The amendments (part of AASB 2009-5 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project') specify that only expenditures that result in a recognised asset in the statement of financial position can be classified as investing activities in the statement of cash flows.

Standards and Interpretations adopted with no effect on financial statements

The following new and revised Standards and interpretations have also been adopted in these financial statements. Their adoption has not had any significant impact on the amounts reported in these financial statements but may affect the accounting for future transactions or arrangements.

AASB 2009-8 'Amendments to Australian Accounting Standards – Group Cash-Settled Share-based Payment Transactions'	The application of AASB 2009-8 makes amendments to AASB 2 'Share-based Payment' to clarify the scope of AASB 2, as well as accounting for group cash-settled share-based payment transactions in the separate (or individual) financial statements of an entity receiving the goods or services when another group entity or shareholder has the obligation to settle the award.

2. Summary of accounting policies (cont'd)

Standards and interpretations issued not yet effective

At the date of authorisation of the financial report, the Standards and Interpretations listed below were in issue but not yet effective.

The impact of the initial application of the following Standards and Interpretations to the financial report of the consolidated entity and the company have not been assessed:

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 124 'Related Party Disclosures'(revised December 2009), AASB 2009-12'Amendments to Australian Accounting Standards'	1 January 2011	30 June 2012
AASB 9 'Financial Instruments', AASB 2009-11 ' Amendments to Australian Accounting Standards arising from AASB 9' and AASB 2010-7 'Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)'	1 January 2013	30 June 2014
AASB 2009-14 'Amendments to Australian Interpretation Prepayments of a Minimum Funding Requirement'	1 January 2011	30 June 2012
AASB 2010-5 'Amendments to Australian Accounting Standards	1 January 2011	30 June 2012
AASB 2010-6 'Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets'	1 July 2011	30 June 2012
AASB 2010-8 'Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets'	1 January 2012	30 June 2013
IFRS 10 Consolidated Financial Statements	1 January 2013	30 June 2013
IFRS 12 Disclosure of Interests in Other Entities	1 July 2013	30 June 2013
IFRS 13 Fair Value Measurement	1 January 2013	30 June 2013
IAS 27 Separate Financial Statements (2011)	1 January 2013	30 June 2013
IAS 28 Investments in Associates and Joint Ventures (2011)	1 January 2013	30 June 2013
IAS 19 Employee Benefits (2011)	1 January 2013	30 June 2013
Presentation of Items of Other Comprehensive Income (Amendments to IAS 1)	1 January 2012	30 June 2013

2. Summary of accounting policies (cont'd)

(a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) (referred to as 'the Group' in these financial statements). A controlled entity is any company in which Wasabi Energy Limited has the power to control the financial and operating policies of the entity so as to obtain benefits from its activities. Total comprehensive income of subsidiaries is attributable to owners of the Company and to the non-controlling interest even if these results in the non-controlling interest having a deficit balance.

All inter-company balances and transactions between entities in the consolidated entity, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the Company.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interest are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company

(b) Borrowing costs

All borrowing costs, except to the extent that they are directly attributable to the acquisition, construction or production of qualifying assets, are recognised in profit or loss in the period in which they are incurred.

(c) Cash and cash equivalents

Cash comprises cash on hand, cash at call and short-term deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(d) Financial assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Subsequent to initial recognition, investments in subsidiaries are measured at cost in the Company financial statements. Subsequent to initial recognition, investments in associates are accounted for under the equity method in the consolidated financial statements and the cost method in the Company financial statements.

<u>Effective interest method</u>

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, 'at fair value through profit or loss'.

<u>At fair value through profit or loss</u>

An instrument is classified as at fair value through profit or loss ("FVTPL") if it is held for trading or is designated as such upon initial recognition. Financial Instruments are designated at fair value through profit or loss if the company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's investment strategy. Upon initial recognition, the attributable transaction costs are recognised in profit or loss when incurred. Financial instruments that are at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

<u>Available-for-sale financial assets</u>

Listed shares held by the Group that are traded in an active market are classified as AFS and are stated at fair value. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the investments revaluation reserve, with the exception of impairment losses, interest calculated using the effective interest method, and foreign exchange gains and losses on monetary assets, which are recognised in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

<u>Loans and receivables</u>

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest rate method less impairment.

Interest is recognised by applying the effective interest rate.

2. Summary of accounting policies (cont'd)

(d) Financial assets (cont'd)

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

(e) Financial liabilities and equity instruments issued by the Company

Interest and dividends

Interest and dividends are classified as expenses or as distributions of profit consistent with the balance sheet classification of the related debt or equity instruments. Borrowings are classified as Financial Liabilities.

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

(f) Foreign currency

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Australian dollars ("$"), which is the functional currency of Wasabi Energy Limited, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise. For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into Australian dollars using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).

(g) Intangible assets

Intangible assets with finite lives that are acquired separately are carried at cost less accumulated amortisation, and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Expenditure on research activities is recognised in the income statement as an expense as incurred.

Expenditure on development activates is capitalised if the product or process is technically and commercially feasible and the Group intends, has the technical ability and has sufficient resources to complete development and if the Group can measure reliably the expenditure attributable to the intangible asset during its development. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in the income statement as an expense as incurred. Capitalised development expenditure is stated as cost less accumulated amortisation and impairment loses.

Expenditure on internally generated goodwill and brands is recognised in the income statement as an expenses as incurred.

(h) Impairment of tangible and intangible assets

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication of impairment exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

2. Summary of accounting policies (cont'd)

(h) Impairment of tangible and intangible assets (cont'd)

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of the asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount and an impairment loss is recognised in the profit or loss statement.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss statement.

(i) Income taxes

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for using the balance sheet liability method. Temporary differences are differences between the tax base of an asset or liability and its carrying amount in the balance sheet. The tax base of an asset or liability is the amount attributed to that asset or liability for tax purposes.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, branches and associates, and interests in joint ventures except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Company/Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the income statement, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

(j) Inventories

Inventories of consumable supplies and spare parts are valued at lower of cost and net realisable value.

(k) Property, plant and equipment

Plant and equipment

Buildings and plant and equipment are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

2. Summary of accounting policies (cont'd)

(k) Property, plant and equipment (cont'd)

Depreciation

Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land. Depreciation is calculated on a straight line basis so as to write off the net cost of each asset over its expected useful life to its estimated residual value. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period, with the effect of any changes recognised on a prospective basis.

The useful lives used for each class of depreciable assets are:

Leasehold improvements	2-5 years
Plant and equipment	5-10 years

(l) Non-current assets held for sale

Non-current assets are classified as held for sale as their carrying amount will be recovered principally through a sale transaction rather than through continuing use. The sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition. Management is committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

(m) Provisions

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

(n) Revenue

Revenue is measured at the fair value of the consideration received or receivable, and is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract. The stage of completion of the contract is determined as follows;

- installation fees are recognised by reference to the stage of completion of the installation, determined as the proportion of the total time expected to install that has elapsed at the end of the reporting period;
- servicing fees included in the price of products sold are recognised by reference to the proportion of the total cost of providing the servicing for the product sold, taking into account historical trends in the number of services actually provided on past goods sold; and
- revenue from time and material contracts is recognised at the contractual rates as labour hours are delivered and direct expenses are incurred.

Royalties

Royalty revenue is recognised on an accrual basis in accordance with the substance of the relevant agreement (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably). Royalties determined on a time basis are recognised on a straight-line basis over the period of the agreement. Royalty arrangements that are based on production, sales and other measures are recognised by reference to the underlying arrangement.

2. Summary of accounting policies (cont'd)

(n) Revenue (cont'd)

<u>Dividend and interest revenue</u>

Dividend revenue from investments is recognised when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably).

Interest revenue is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount of initial recognition.

<u>Construction contracts</u>
Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recovered. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately

(o) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax ('GST'), except:

i. where the amount of GST incurred is not recoverable from the Australian Taxation Office, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
ii. for receivables and payables with are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the Australian Taxation Office is included as part of receivables or payables.

Cash flows are included in the cast flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the Australian Taxation Office is classified as operating cash flows.

(p) Investments in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with AASB 5 'Non-current Assets Held for Sale and Discontinued Operations'. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the profit or loss and other comprehensive income of the associate, less any impairment in the value of individual investments.

Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of the acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of that investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of the acquisition, after reassessment, is recognised immediately in profit or loss.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

2. Summary of accounting policies (cont'd)

(q) Share-based payments

Equity-settled share-based payments with employees and others providing similar services are measured at the fair value of the equity instrument at the grant date. Fair value is measured by use of a binomial model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations. Further details on how the fair value of equity-settled share-based transactions has been determined can be found in note 34.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest.
At each reporting date, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss over the remaining vesting period, with corresponding adjustment to the equity-settled employee benefits reserve.

Equity-settled share-based payment transactions with other parties are measured at the fair value of the goods and services received, except where the fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

No amount has been recognised in the financial statements in respect of other equity-settled shared-based payments.

For cash-settled share-based payments, a liability equal to the portion of the goods or services received is recognised at the current fair value determined at each reporting date.

(r) 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 for the effects of all dilutive potential ordinary shares.

(s) Lease payments

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefits of incentives are recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(t) Employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities recognised in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date.

3. Segment information

AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

Information reported to the Group's Executive Chairman for the purposes of resource allocation and assessment of performance is now currently more specifically focused on key business segments. The Group's reportable segments under AASB 8 are therefore as follows:

- Investments
- Geothermal

The Investment segment provides administration support and is responsible for the investment activities of the group. The Geothermal segment located in the US and UK manages the geo thermal activities of the group.

Information regarding these segments is presented below. Amounts relating to the prior period have also been reported in accordance with AASB 8. The accounting policies of the new reportable segments are the same as the Group's accounting policies.

(i) The following is an analysis of the Group's revenue and results by reportable operating segments:

	Segment revenue		Segment profit/(loss)	
	2011	2010	2011	2010
	$	$	$	$
Continuing operations				
Investments	-	-	4,365,539	(3,588,600)
Geothermal	4,047,090	756,532	(2,667,249)	(3,156,791)
Total of all Segments	4,047,090	756,532	1,698,290	(6,745,391)
Unallocated items				
Share of loss of associate			(2,245,578)	(1,737,348)
Total loss before tax			(547,288)	(8,482,739)
Exchange reserve arising on translation of foreign operations			276,653	(272,636)
Gain / (loss) on available-for-sale investments taken to equity			536,308	(202,860)
Total comprehensive income for the period			**265,673**	**(8,958,235)**

The segment revenue reported above represents the revenue generated from external customers. There were no intersegment sales in the current year (2010: nil)

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 2. Segment loss represents the loss incurred by each segment without the allocation of share of losses of associate, interest revenue, change in fair value of financial assets classified as fair value through profit or loss, finance costs and income tax expense. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

3. Segment information (cont'd)

(ii) Segment assets

	2011 $	2010 $
Investments	16,254,340	7,622,593
Geothermal	1,250,731	439,537
Total segment assets	17,505,071	8,062,130
Unallocated assets	-	566,178
Total assets	17,505,071	8,628,308

(iii) Segment liabilities

	2011 $	2010 $
Investments	1,013,096	7,283,352
Geothermal	1,142,291	831,209
	2,155,387	8,114,561

(iv) Other segment information

	Depreciation and amortization		Additions to non-current assets	
	2011 $	2010 $	2011 $	2010 $
Investments	95,103	19,276	80,051	193,807
Geothermal	19,192	19,579	6,343	1,566
	114,295	38,855	86,394	195,373

(v) Geographical information

The group operates in these principle geographical areas. Australia (country of domicile), UK and the USA.

	Revenue from external customers		Non-current assets	
	2011 $	2010 $	2011 $	2010 $
Australia	-	-	1,142,443	1,127,880
UK	-	-	179,658	197,458
USA	4,047,090	756,532	8,387	3,435
	4,047,090	756,532	1,330,488	1,328,773

4. Revenue

	Consolidated		Company	
	2011 $	2010 $	2011 $	2010 $
Engineering services	4,047,090	663,141	-	-
Equipment sales	-	93,391	-	-
	4,047,090	756,532	-	-

All revenue relates to continuing operations.

5. Finance costs

	Consolidated		Company	
	2011 $	2010 $	2011 $	2010 $
Interest and expenses – related parties	328,412	101,490	328,412	101,490
Interest – other	30,462	169,054	30,415	168,738
	358,874	**270,544**	**358,827**	**270,288**

Weighted average rate of funds borrowed is 9.3% (2010 – 6.4%)

6. Loss for the year

(a) Gains and losses

Loss for the year has been arrived at after crediting/(charging) the following gains and losses:

	Consolidated		Company	
	2011 $	2010 $	2011 $	2010 $
(Loss)/gain on disposal of investments classified as available for sale	77,911	10,719	77,911	10,719
Impairment of assets	-	(168,262)	(2,312,286)	(3,786,456)
Gain on debt settled	354,109	-	354,109	-
Net foreign exchange (losses)/gains	(735,123)	64,527	(567,425)	60,870
	(303,103)	**(96,016)**	**(2,447,691)**	**(3,714,867)**

(b) Other expenses

Loss for the year includes the following expenses:

	Consolidated		Company	
	2011 $	2010 $	2011 $	2010 $
Rental expenses	204,387	89,017	127,192	67,304
Depreciation of plant and equipment	96,495	19,899	95,103	19,276
Amortisation of intangibles	17,800	18,956	-	-
Bad debts	45,462	-	-	-
Consultants expenses recognized as share based payments	444,451	-	444,451	-
Employee benefit expense:				
Defined contribution plans	57,584	15,473	57,584	15,473
Share based payments (note 34 (i))	1,456,695	504,220	1,261,196	510,616
Salaries and wages	1,848,828	1,876,713	1,156,048	226,037
	4,171,702	**2,524,278**	**3,141,574**	**838,706**

7. Income taxes

The prima facie income tax expense on pre-tax accounting profit / (loss) from operations reconciles to the income tax expense in the financial statements as follows:

	Consolidated		Company	
	2011 $	2010 $	2011 $	2010 $
Loss before tax from continuing operations	(547,288)	(8,482,739)	(179,322)	(3,750,379)
Income tax benefit calculated at 30%	(164,186)	(2,544,822)	(53,796)	(1,125,113)
Effect of expenses that are not deductible in determining taxable income:	479,026	815,123	444,015	262,065
Effect of temporary differences	(1,865,131)	466,021	(1,533,620)	481,359
Effect of deferred tax losses not brought to account	1,550,291	1,263,678	1,143,401	381,689
Income tax credit recognized in profit or loss	**-**	**-**	**-**	**-**

The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law. There has been no change in the corporate tax rate when compared with the previous reporting period.

Unrecognised deferred tax balances	Consolidated		Company	
	2011 $	2010 $	2011 $	2010 $
The following deferred tax assets have not been brought to account:				
- tax losses – revenue	4,958,585	3,408,293	2,676,729	1,767,112
- tax losses - capital	599,237	368,669	599,237	365,454
	5,557,822	**3,776,962**	**3,275,966**	**2,132,566**

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

Recognised deferred assets and tax liabilities	Consolidated		Company	
	2011 $	2010 $	2011 $	2010 $
The following deferred tax balances have been brought to account:				
Deferred tax assets				
- Investments	1,255,551	122,096	1,077,481	-
- Provisions	91,187	46,463	32,651	18,261
Deferred tax liabilities				
- Deferred revenue	(222,967)	(150,298)	-	-
- Investments	(1,110,132)	-	(1,110,132)	-
- Provision for bad debt	(13,639)	-	-	-
- Unrealised gain	-	(18,261)	-	(18,261)
	-	-	-	-

8. Trade and other receivables: current

	Consolidated		Company	
	2011	2010	2011	2010
	$	$	$	$
Trade receivables	778,901	343	49,213	343
Goods and services tax recoverable	31,020	54,281	21,705	23,931
Other receivables	87,742	11,283	52,470	11,283
Receivables from associates (note 31)	2,746,519	2,896,562	2,746,519	2,896,562
Loan to subsidiary entity (i)	-	-	4,409,847	-
	3,644,182	**2,962,469**	**7,279,754**	**2,932,119**

(i) The loan to subsidiary entity Global Geothermal is payable on demand. Interest is payable at 3% above US Federal Reserve rate per annum.

Trade receivables disclosed above are classified as loans and receivables and are therefore measured at amortised cost.

9. Other financial assets: current

	Consolidated		Company	
	2011	2010	2011	2010
	$	$	$	$
Financial assets carried at fair value through profit or loss (FVTPL)				
Held for trading derivatives that are not designated in hedge accounting relationships (i)	53,498	531,093	53,498	531,093
Held for trading non-derivative financial assets (ii)	248,835	1,423,870	248,835	1,423,870
	302,333	**1,954,963**	**302,333**	**1,954,963**

The fair values of the financial assets were determined as follows:

(i) The fair value of the options held in listed entities has been determined using the Black-Scholes option pricing method

(ii) The fair value of the share has been determined with reference to quoted market prices.

10. Assets classified as held-for-sale

	Consolidated		Company	
	2011	2010	2011	2010
	$	$	$	$
Investments in listed entities (i)	7,005,057	2,156,000	7,005,057	2,156,000
	7,005,057	2,156,000	**7,005,057**	2,156,000

(i) The fair value has been determined with reference to quoted market price.
The group intends to dispose its holding in non-core investments in the next 12 months. No impairment loss was recognised on reclassification nor at 30 June 2011.

11. Trade and other receivables: non-current

	Consolidated		Company	
	2011	2010	2011	2010
	$	$	$	$
Loans to:				
Subsidiary entity (i)	-	-	-	1,650,998
Rental bond	34,412	34,412	34,412	34,412
	34,412	**34,412**	**34,412**	**1,685,410**

(i) Interest is payable at 3% above US Federal Reserve rate per annum.

12. Assets classified as available-for-sale: non-current

	Consolidated		Company	
	2011 $	2010 $	2011 $	2010 $
Investments in listed entities (i)	946,495	350,701	946,495	350,701
	946,495	350,701	946,495	350,701

(i) The fair value has been determined with reference to quoted market prices.

13. Investments accounted for using the equity method

	Consolidated	
	2011 $	2010 $
Reconciliation of movement in investments accounted for using the equity method:		
Balance at 1 July 2010	566,178	4,070,290
Reclassification as asset held for sale	(507,863)	(3,809,685)
Additional investment in associate	2,187,263	2,387,087
Share of losses	(2,245,578)	(1,737,348)
Impairment charge	-	(344,166)
Balance at 30 June 2011	**-**	**566,178**

Name of entity	Country of incorporation	Principal activity	Ownership interest 2011 %	Ownership interest 2010 %
Associates				
Aqua Guardian (i)	Australia	Water conservation	47.5%	42.1
Australian Renewable Fuels (ii)	Australia	Bio diesel	17.3%	24.6

(i) The fair value of Aqua Guardian is $Nil (2010 - $27,656)

(ii) On 29 April 2011 the groups holding in Australian Renewable Fuels (ARF) decreased to 17.3% as a result of ARF increasing its share capital. As the group has made the decision to dispose of the remaining investment, the holding has been classified as investment held for sale as disclosed in note 10.

13. Investments accounted for using the equity method (cont'd)

Summarised financial information in respect of the Group's associates is set out below:

	Consolidated	
	2011 $	2010 $
Financial position:		
Total assets	2,034,226	10,187,283
Total liabilities	(2,936,120)	(5,275,118)
Net assets	(901,894)	4,912,165
Group's share of associates' net assets	(428,400)	1,215,527
Financial performance:		
Total revenue	5,253,874	2,867,263
Total loss for the year before tax	(7,488,874)	(4,027,868)
Income tax expense	-	-
Net loss for the year	(7,488,874)	(4,027,868)
Group's share of associate's loss	(2,245,578)	(1,737,348)

Dividends received from associates
No dividends were received during the year (2010: Nil) from its associate.

Commitments
The Group's share of operating leases of associates is disclosed in note 25.

14. Other financial assets: non-current

	Consolidated		Company	
	2011 $	2010 $	2011 $	2010 $
Investments in associates	-	-	2,900,000	4,037,086
Impairment for investment in associate	-	-	(2,900,000)	(2,304,176)
Investment in subsidiary	-	-	7,521,896	5,987,266
Less: Impairment for investment in subsidiary	-	-	(7,521,896)	(5,987,266)
	-	**-**	**-**	**1,732,910**

15. Property, plant and equipment

Consolidated	Lease Improvements	Plant and equipment at cost	Total
	$	$	$
Gross carrying amount			
Balance at 1 July 2009	-	42,999	42,999
Additions	152,135	43,238	195,373
Disposals	-	(22,239)	(22,239)
Balance at 1 July 2010	152,135	63,998	216,133
Additions	42,755	43,639	86,394
Disposals	-	(17,681)	(17,681)
Balance at 30 June 2011	194,890	89,956	284,846
Accumulated depreciation			
Balance at 1 July 2009	-	38,449	38,449
Disposals	-	(22,239)	(22,239)
Depreciation expense	16,597	3,302	19,899
Balance at 1 July 2010	16,597	19,512	36,109
Disposals	-	(17,681)	(17,681)
Depreciation expense	86,399	10,096	96,495
Balance at 30 June 2011	102,996	11,927	114,923
Net book value			
As at 30 June 2010	**135,538**	**44,486**	**180,024**
As at 30 June 2011	**91,894**	**78,029**	**169,923**

Company	Lease Improvements	Plant and equipment at cost	Total
	$	$	$
Gross carrying amount			
Balance at 1 July 2009	-	22,239	22,239
Additions	152,135	41,672	193,807
Disposals	-	(22,239)	(22,239)
Balance at 1 July 2010	152,135	41,672	193,807
Additions	42,755	37,295	80,050
Balance at 30 June 2011	194,890	78,967	273,857
Accumulated depreciation			
Balance at 1 July 2009	-	20,181	20,181
Disposals	-	(22,239)	(22,239)
Depreciation expense	16,597	2,679	19,276
Balance at 1 July 2010	16,597	621	17,218
Depreciation expense	86,399	8,704	95,103
Balance at 30 June 2011	102,996	9,325	112,321
Net book value			
As at 30 June 2010	**135,538**	**41,051**	**176,589**
As at 30 June 2011	**91,894**	**69,642**	**161,536**

Aggregate depreciation allocated, which is recognised as an expense during the year:

	Consolidated		Company	
	2011	**2010**	**2011**	**2010**
	$	**$**	**$**	**$**
Lease improvements	86,399	16,597	86,399	16,597
Plant and equipment	10,096	3,302	8,704	2,679
	96,495	19,899	95,103	19,276

16. Intangibles

	Consolidated	
	Patent $	Total $
Gross carrying amount		
Balance at beginning of year	227,471	227,471
Balance at 30 June 2011	**227,471**	**227,471**
Accumulated amortisation and impairment		
Balance at beginning of year	30,013	30,013
Amortisation expense	17,800	17,800
Balance at 30 June 2011	**47,813**	**47,813**
Net book value		
As at 30 June 2010	197,458	197,458
As at 30 June 2011	**179,658**	**179,658**

The costs relate to worldwide patent held by Global Geothermal on Kalina Cycle technology.

17. Trade payables and other obligations - current

	Consolidated		Company	
	2011 $	2010 $	2011 $	2010 $
Trade payables (i)	795,283	1,118,518	548,255	788,301
Deferred income (ii)	365,570	500,992	-	-
	1,160,853	**1,619,510**	**548,255**	**788,301**

(i) Payment terms for the Company and Consolidated entity during the current year and comparative period average 30 days.

(ii) Deferred income relate to engineering services and training not yet provided against income received.

18. Borrowings

	Consolidated		Company	
	2011 $	2010 $	2011 $	2010 $
Loans from:				
- Other entities – secured	-	1,167,270	-	1,167,270
- Related parties – unsecured (i)	446,155	5,326,617	446,155	5,326,617
	446,155	**6,493,887**	**446,155**	**6,493,887**
Disclosed in the financial statements as:				
Current borrowings	446,155	-	446,155	-
Non-current borrowings	-	6,493,887	-	6,493,887
	446,155	**6,493,887**	**446,155**	**6,493,887**

(i) Interest is payable @ 10% per annum.

19. Provisions:

	Consolidated		Company	
	2011 $	2010 $	2011 $	2010 $
Employee benefits-current	170,725	1,164	18,686	1,164
Employee benefits-non-current	-	-	-	-
	170,725	**1,164**	**18,686**	**1,164**

20. Trade payables and other obligations: Non-current

	Consolidated		Company	
	2011	2010	2011	2010
	$	$	$	$
Deferred income (i)	377,654	-	-	-
	377,654	**-**	**-**	**-**

(i) Deferred income relate to engineering services and training not yet provided against income received

21. Issued capital and contributed equity

	Consolidated		Company	
	2011	2010	2011	2010
	$	$	$	$
Fully paid ordinary shares 30 June 2011: 2,195,472,928 (30 June 2010: 1,425,182,451)	48,362,897	34,125,003	48,362,897	34,125,003

Changes to the then Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore, the Company does not have a limited amount of authorised capital and issued shares do not have a par value.

	2011		2010	
	No.	$	No.	$
21.1 Ordinary shares				
Balance at beginning of year	1,425,182,451	34,125,003	919,140,445	29,204,220
Exercise of options	182,012,856	1,969,948	35,560,557	355,606
Issue of shares	588,277,621	13,633,133	1,000,000	16,000
Conversion of preference shares	-	-	459,729,141	4,597,291
Issue of shares for preference Interest	-	-	9,752,308	97,523
Share issue costs	-	(1,365,187)	-	(145,637)
Balance at end of financial year	**2,195,472,928**	**48,362,897**	**1,425,182,451**	**34,125,003**

Ordinary shares carry one vote per share and carry the right to dividends.

22 Options

22.1 Options

	2011 No	2010 No
Balance at beginning of the year	482,158,164	40,000,000
Issue of options	104,650,000	517,728,721
Exercise of options	(181,447,856)	(35,570,557)
Options expired	-	(30,000,000)
Options forfeited	-	(10,000,000)
Balance at end of financial year	**405,370,308**	**482,158,164**

22.2 Options issued in subsidiary

	2011 No	2010 No
Balance at the beginning of the year	450,000	100,000
Subdivided 1 to 5	-	500,000
Exercised during the year	-	(50,000)
Cancelled during the year	(450,000)	-
Balance at end of financial year	-	450,000

On 22 April 2010 options in Global Geothermal were subdivided into five for every one on issue.

23. Reserves

	Consolidated		Company	
	2011 $	2010 $	2011 $	2010 $
Investment revaluation reserve	690,692	154,384	690,692	154,384
Foreign currency translation reserve	121,379	(112,824)	-	-
Share based payment reserve	3,658,341	2,356,886	2,669,735	1,332,997
Other reserve	(3,171,993)	(2,099,334)	-	-
	1,298,419	**299,112**	**3,360,427**	**1,487,381**

23.1 Investment revaluation reserve

	Consolidated		Company	
	2011 $	2010 $	2011 $	2010 $
Balance at beginning of year	154,384	357,244	154,384	357,244
Valuation gain / (loss) recognised	536,308	(202,860)	536,308	(202,860)
Balance at end of year	**690,692**	**154,384**	**690,692**	**154,384**

The investments revaluation reserve represents accumulated gains and losses arising on the revaluation of available-for-sale (AVS) financial assets that have been recognised in other comprehensive income, net of amounts reclassified to profit or loss when those assets have been disposed of or are determined to be impaired.

23. Reserves (cont'd)

23.2 Foreign currency translation reserve

	Consolidated 2011 $	Consolidated 2010 $
Balance at beginning of year	(112,824)	134,163
Exchange differences arising on translating the net assets of foreign operations	234,203	(246,987)
Balance at end of year	**121,379**	**(112,824)**

Exchange differences relating to the translation of the net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency (i.e. Australian dollars) are recognised directly in other comprehensive income and accumulated in the foreign currency translation reserve. Exchange differences previously accumulated in the foreign currency translation reserve are reclassified to profit or loss on the disposal or partial disposal of the foreign operation.

23.3 Share based payments reserve

	Consolidated		Company	
	2011 $	2010 $	2011 $	2010 $
Balance at beginning of year	2,356,886	1,852,666	1,332,997	822,381
Options forfeited during the year	-	(221,410)	-	(221,410)
Options exercised during the year	(102,593)	-	(102,593)	-
Recognised during the year	1,404,048	725,630	1,439,331	732,026
Balance at end of year	**3,658,341**	**2,356,886**	**2,669,735**	**1,332,997**

The share based payments reserve arises on the grant of options to directors and employees under the share plan. Amounts are recognised in accordance with note 2(p). Amounts are transferred out of the reserve and into issued capital when the options are exercised. Further information about share based payment to employees is made in note 34 to the financial statements.

23.4 Other reserve

	Consolidated 2011 $	Consolidated 2010 $
Balance at beginning of year	(2,099,334)	-
Difference arising on acquisition of further non-controlling interest in Global Geothermal	(1,072,659)	(2,099,334)
Balance at end of year	**(3,171,993)**	**(2,099,334)**

The other reserves represent excess consideration paid over the value of the non controlling interest of Global Geothermal acquired during the year.

23.5 Non-controlling interest

Balance at beginning of year	(175,435)	432,342
Share of loss for the year	(100,376)	(241,614)
Movement in foreign exchange values	152,269	(25,649)
Issue of shares in subsidiary	-	17,072
Adjustment for (increase)/decrease in controlling interest	(6,245)	(357,586)
Balance at end of year	**(129,787)**	**(175,435)**

24. Accumulated losses

	Consolidated		Company	
	2011 $	2010 $	2011 $	2010 $
Balance at beginning of year	(33,734,933)	(25,493,808)	(31,889,236)	(28,138,858)
Net profit/(loss) attributable to members of the parent entity	(446,912)	(8,241,125)	(179,322)	(3,750,378)
Balance at end of year	**(34,181,845)**	**(33,734,933)**	**(32,068,558)**	**(31,889,236)**

25. Commitments

(a) Operating leases

These obligations are not provided for in the financial report and are payable.

	Consolidated		Company	
	2011	**2010**	**2011**	**2010**
	$	**$**	**$**	**$**
Non-cancellable operating rentals are as follows:				
- Not longer than 1 year	190,345	137,652	151,167	137,652
- Longer than 1 year and not longer than 5 years	87,919	189,272	58,070	189,272
- Longer than 5 years	-	-	-	-
	278,264	**326,924**	**209,237**	**326,924**
Group's share of associates operating leases				
Non-cancellable operating rentals are as follows:				
- Not longer than 1 year	12,868	18,108	-	-
- Longer than 1 year and not longer than 5 years	-	9,290	-	-
- Longer than 5 years	-	-	-	-
	12,868	**27,398**	**-**	**-**

26. Subsidiaries

		Ownership interest	
Name of entity	**Country of incorporation**	**2011 %**	**2010 %**
Parent entity			
Wasabi Energy Limited	Australia		
Subsidiaries			
Wasabi Technologies Pty Ltd	Australia	100	100
Evolution Energy Pty Ltd	Australia	50	50
Global Geothermal Limited	United Kingdom	97.62	94
Its wholly owned group entity being			
Recurrent Engineering LLC	USA	100	100
Global Geothermal Husavik Limited (ii)	United Kingdom	100	-
Wasabi Investments UK Limited (ii)	United Kingdom	100	-
Its wholly owned group entity being			
Imparator Green Energy Plc (ii)	United Kingdom	100	-
Imparator Enerji Limited (ii)	Turkey	100	-

(i) None of these entities are part of the tax consolidation group.

(ii) Established during the period.

27. Cash and cash equivalents

	Consolidated		Company	
	2011	**2010**	**2011**	**2010**
	$	**$**	**$**	**$**
Cash and bank balances	5,223,011	226,103	4,938,275	17,808

27. Cash and cash equivalents (cont'd)

Reconciliation of profit / (loss) for the period to net cash flows from operating activities

	Consolidated		Company	
	2011 $	2010 $	2011 $	2010 $
Loss for the year	(547,288)	(8,482,739)	(179,322)	(3,750,378)
Profit on disposal of financial assets	(77,911)	(10,719)	(77,911)	(10,719)
Fair value (gains)/losses on options	(1,414,056)	147,956	(1,414,056)	147,956
Gain on derivative assts		(122,863)	-	(122,863)
Change in fair value of financial assets	(8,134,181)	-	(5,499,527)	(1,802,730)
Share of associates' loss	2,245,578	1,737,348	-	-
Depreciation of property, plant and equipment	114,295	38,855	95,103	19,276
Bad debts	45,462	-	-	-
Foreign exchange (gain)/losses	735,123	(98,799)	567,425	(60,870)
Expense recognised in respect of equity-settled share-based payment	1,901,146	510,616	1,705,647	510,616
Gain on debt settled	(354,109)	-	(354,109)	-
Impairment of associate	-	-	777,656	-
Impairment of investments	-	1,821,947	1,534,630	3,786,456
Interest income received and receivable	(292,870)	(236,366)	(291,229)	(236,366)
Changes in net assets and liabilities:				
(Increase) / decrease in assets:				
Trade and other receivables	(559,876)	991,205	(102,209)	(149,179)
Movement in deferred tax		-		-
Increase / (decrease) in liabilities:				
Trade and other payables	106,661	776,311	102,753	583,430
Provisions	169,561	1,164	17,522	1,164
Net cash from operating activities	(6,062,465)	(2,926,084)	(3,117,627)	(1,084,208)

(ii) Non-cash transactions

During the year the company issued 7,823,076 fully paid ordinary shares to creditors for services provided to the value of $192,067. Value of shares issued was based on market value on the date of issue. The company further issued 66,920,722 fully paid ordinary shares on account of exercise of 66,920,722, 1cent options which was applied to settle a related party loan amounting to $669,207.

Further during the year the company issued 8,750,000 fully paid ordinary shares on account of exercise of equal number of 1cent options and 7,871,071 fully paid ordinary shares on account of equal number of 1.6cent options. An amount of $213,437 raised from these options was applied partly to pay for purchase of shares and options in Global Geothermal.

The company also issued 3m fully paid ordinary shares for $93,000 to B Levy as signing on fee and a further 20m fully paid ordinary shares for $620,000 to acquire remaining outstanding options in Global Geothermal. . The value of shares issued was based on market value on the date of issue.
All shares issued carry the same rights as existing shares on issue. Details of shares issued for non cash are listed below.

(a) 3,073,076 shares at 1.8 cents to settle creditors amounting to $55,317.
(b) 3,500,000 shares at 2.8 cents to settle creditors amounting to $98,000.
(c) 66,920,722 shares at 1.0 cents on account of exercise of options to settle loans amounting to $669,207.
(d) 8,750,000 shares at 1.0 cents and 7,871,071 at 1.6 cents on account of exercise of options to settle shares purchased in Global Geothermal not held by the company.
(e) 20,000,000 shares at 3.1 cents to option holders in Global Geothermal.
(f) 3,000,000 shares at 3.1 cents to Bruce Levy as signing on fee.
(g) 1,250,000 shares at 3.1 cents to settle creditors amounting to $38,750.

28. Financial instruments

(a) Significant accounting policies

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

The Group's capital structure consists of deposits with banks and loans (refer note 18).

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, by maintaining a strong capital base sufficient to maintain future exploration and development of its projects. In order to maintain or adjust the capital structure, the Group may return capital to shareholders, issue new shares, re-negotiate intercompany loan arrangements with its parent or sell assets to provide cash flow.

The Group monitors capital on the basis of the gearing ratio, however there are no external borrowings as at balance date. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

Risk management policies and procedures are established with regular monitoring and reporting.

(b) Financial Risk Management

The Company has exposure to various risks from the use of financial instruments. The Company's principal financial instruments comprise cash, receivables, payables and other financial assets and liabilities. This note presents information about the Company's exposure to risk from the use of financial instruments. Further quantitative disclosures are included throughout this financial report.

Financial risks including credit risk, liquidity risk, and market risk (interest rate risk, commodity risk and foreign currency risk) are managed such to maintain an optimal capital structure. The Company does not enter into derivative transactions to manage financial risks.

(c) Credit risk management

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group**.** The Group has adopted a policy of only dealing with credit worthy counterparties and obtaining sufficient collateral, where appropriate. The Group's exposure to credit risk at balance date in relation to each class of financial assets is the carrying amount of the assets as indicated in the balance sheet. Cash and term deposits are only made with selected counterparties with a strong Standard & Poors long term rating. Adherence to the treasury policy is monitored on a monthly basis.

28. Financial instruments(con't)
(d) Liquidity risk management

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity involves monthly cash flow forecasting such to ensure that sufficient funds are always available to undertake planned activities.

Maturity profile of financial instruments

The following tables detail the Company and Group's contractual maturity for its non-derivative financial assets and liabilities. The tables have been drawn up based on the undiscounted cash flows of financial assets and liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

Group

	Weighted Average Effective Interest Rate	Less than 1 month $	1 – 3 months $	3 months to 1 year $	1 -5 years $	5+ years $
2011						
Financial assets						
Trade and other receivables	-	731,987	140,836	24,390	-	-
Trade and other receivables –						
Related party	-	-	26,072	20,579	-	-
Loan receivable -						
Related party	10%	-	-	2,700,318	-	-
Financial liabilities						
Unsecured loan related party	10%	-	-	446,155	-	-
Trade and other payables	-	592,841	66,150	136,292	-	-
2010						
Financial assets						
Trade and other receivables	-	2,300	33,257	30,350	-	-
Trade and other receivables –						
Related party	-	-	31,822	-	-	-
Loan receivable -						
Related party	7.1%	-	-	2,864,740	-	-
Financial liabilities						
Secured loan notes	5%	-	-	-	1,162,270	-
Unsecured loan related party	7%	-	-	-	5,326,617	-
Trade and other payables	-	851,052	121,346	146,120	-	-

Company

	Weighted Average Effective Interest Rate	Less than 1 Month $	1 – 3 months $	3 months to 1 year $	1 -5 years $	5+ years $
2011						
Financial assets						
Trade and other receivables	-	7,500	75,950	-	-	-
Trade and other receivables				24,390		
Related party	-	15,098	26,072	20,579	-	-
Loan receivable -						
Subsidiary	3.5%	-	-	4,409,847	-	-
Related party	10%			2,700,318		
Financial liabilities						
Unsecured loan-related party	10%	-	-	446,155	-	-
Trade and other payables	-	345,813	66,150	136,292	-	-
2010						
Financial assets						
Trade and other receivables	-	2,300	33,257	-	-	-
Trade and other receivables						
Related party	-	-	31,822	-	-	-
Loan receivable -						
Subsidiary	3.5%				1,650,998	
Related party	7.1%	-	-	2,864,740	-	-
Financial liabilities						
Secured loan notes	5%	-	-	-	1,162,270	-
Unsecured loan-related party	7%	-	-	-	5,326,617	-
Trade and other payables	-	590,681	51,500	146,120	-	-

28. Financial instruments(con't)

(e) Fair value of financial instruments carried at amortised cost

Except as detailed in the following table, the directors consider that the carrying amounts of financial assets and financial liabilities recognised at amortised cost in the financial statements approximate their fair values

	30/06/2011		30/06/2010	
	Carrying amount	Fair value	Carrying amount	Fair value
	$	$	$	$
Financial assets				
- Trade and other receivables	897,213	896,470	65,907	65,449
- Trade and other receivables-related parties	46,651	46,234	-	-
- Loans to related parties	2,700,318	2,829,210	2,864,740	3,026,241
	3,644,182	3,771,914	2,930,647	3,091,690
Financial liabilities				
Loans and receivables				
- Trade and other payables	795,283	793,224	1,118,518	1,116,310
- Loans from related parties	446,155	467,450	5,326,617	5,640,136
- Loans from other parties	-	-	1,162,270	1,187,193
	1,241,438	1,260,674	7,607,405	7,943,639

Valuation techniques and assumptions applied for the purposes of measuring fair value:

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

The fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

(f) Fair value of financial assets and liabilities

On-balance sheet

The net fair value of cash and cash equivalents and non-interest bearing monetary financial assets and financial liabilities of the Group approximates their carrying amounts.

The net fair value of other monetary financial assets and liabilities is based upon discounting the expected future cash flows by the current interest rates for assets and liabilities with similar risk profiles.

The Company's and the Group's exposure to interest rate risk is set out below

28. Financial instruments (cont'd)
(f) Fair value of financial assets and liabilities (cont'd)

Interest rate sensitivity analysis

Financial assets

As at 30 June 2011, the Group held $5,223,011 (2010: $226,103) in cash and cash equivalents with interest revenue of $217,966 (2010: $289,455) for the year then ended. A sensitivity of 1.5% (2010: 1.5%) has been selected as this is considered reasonable given the current interest rate and prior year movements of interest rate in the market. A 1.5% (2010: 1.5%) increase in the cash rate would have resulted in a $40,865 (2010: $9,710) increase in interest revenue and equity. A 1.5% (2010: 1.5%) decrease in the cash rate would have resulted in a $40,865 (2010: $9,710) decrease in interest revenue and equity.

Financial liabilities

As at 30 June 2011, the Group borrowings amounted to $479,013 (2010: $6,493,886) with interest expenses of $357,662 (2010: $305,453) for the year then ended. A sensitivity of 1.5% (2010: 1.5%) has been selected as this is considered reasonable given the current interest rate and prior year movements of interest rate in the market. A 1.5% (2010: 1.5%) increase in the cash rate would have resulted in a $52,296 (2010: $44,297) increase in interest expenses. A 1.5% (2010: 1.5%) decrease in the cash rate would have resulted in a $52,296 (2010: $44,297) decrease in interest expenses.

(g) Other price risks

The Group is exposed to equity price risks arising from equity instruments. Equity instruments are held for strategic and for trading purposes. The Group does not actively trade these investments.

Equity price sensitivity analysis

At 30 June 2011, if the equity prices had been 5% higher or lower:

Other financial assets subject to equity price risk

	Consolidated and Company	
	2011	**2010**
	$	**$**
Options – at fair value (note 9, note 14)	53,498	531,093
Held for trading – at fair value (note 9)	248,835	1,423,870
Noncurrent assets held for sale (note 10)	7,005,057	2,156,000
Available for sale – shares at fair value (note 12)	946,495	350,701

	-5%	**-5%**	**+5%**	**+5%**
	2011	**2010**	**2011**	**2010**
	$	**$**	**$**	**$**
Change in loss	(14,500)	(97,132)	14,500	97,132
Change in reserves	(367,788)	(125,335)	367,788	125,335

28. Financial instruments (cont'd)

(h) Foreign currency risk management

Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. The consolidated entity manages foreign currency risk by minimizing the amounts of foreign currency required and buying foreign currency only at the time it is required. Trade payables and trade receivables, secured borrowings and loans to subsidiary listed below are denominated in United States Dollars (USD). Average rate applied during the year $0.99 (2010: $0.88) and reporting date spot rate $1.06 (2010: $0.86).

Amounts of foreign currency in creditors

	Consolidated	
	2011 $	2010 $
Trade Payables (USD)	(518,376)	(382,254)
Trade Receivables (USD)	774,274	30,349
Secured borrowing (USD)	-	(1,174,145)
	255,898	(1,526,050)

Movement in USD against AUD

	-20% 2011 $	-20% 2010 $	+20% 2011 $	+20% 2010 $
Change in gain/(loss)	63,974	(381,512)	42,650	254,648

Amounts of foreign currency in creditors

	Company	
	2011 $	2010 $
Trade Payables (USD)	(210,486)	(52,037)
Secured borrowing (USD)	-	(1,174,145)
Loan to subsidiary (USD)	4,225,026	1,650,730
	4,014,540	424,548

Movement in USD against AUD

	-20% 2011 $	-20% 2010 $	+20% 2011 $	+20% 2010 $
Change in gain/(loss)	1,003,635	106,137	(669,090)	(70,758)

The sensitivity of 20% has been selected as this considered reasonable given the current level of both short term and long term exchange movement for these currencies and the above analysis assumes all other variables remain constant.

Gearing ratio
The Group's Board reviews the capital structure on an annual basis. The gearing ratio at year end was as follows:

	Consolidated		Company	
	2011 $	2010 $	2011 $	2010 $
Financial assets				
Debt (i)	446,155	6,493,887	446,155	6,493,887
Cash and cash equivalents	(5,223,011)	(226,103)	(4,938,275)	(17,808)
Net debt	-	6,267,784	-	6.476,079
Equity (ii)	15,349,684	513,747	19,654,766	3,723,148
Net debt to equity ratio	-	1,220%	-	174%

(i) Debt is defined as long- and short-term borrowings, as detailed in note 18.
(ii) Equity includes all capital and reserves.

28. Financial instruments (cont'd)

(i) Three tier hierarchy of fair value

Fair value measurements recognised in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset that are not based on observable market data (unobservable inputs).

(j) Three tier hierarchy of fair value

		Consolidated and Company		30/06/11
Instrument	**Level 1 $**	**Level 2 $**	**Level 3 $**	**Total $**
Financial Assets				
Derivative financial assets	-	53,498	-	53,498
Quoted equities	7,241,557	-	-	7,241,557
Unquoted equities	-	-	12,335	12,335
Available-for-sale financial assets				
Quoted equities	946,495	-	-	946,495
Total	8,188,052	53,498	12,335	8,253,885

Of the total gains or losses for the period included in profit or loss $4,038,031 relates to asset-backed securities held at the end of the reporting period.

All gain and losses from available for sale investments included in other comprehensive income relate to asset-backed securities held at the end of the reporting period and are reported as changes of 'Investments revaluation reserve' (see note 23.1).

		Consolidated and Company		30/06/10
Instrument	**Level 1 $**	**Level 2 $**	**Level 3 $**	**Total $**
Financial Assets				
Derivative financial assets	-	531,093	-	531,093
Quoted equities	3,567,533	-	-	3,567,533
Unquoted equities	-	-	12,335	12,335
Available-for-sale financial assets				
Quoted equities	350,701	-	-	350,701
Total	3,918,234	531,093	12,335	4,461,662

29. Subsequent Event

Except as noted below, there has not been any matter or circumstance that has arisen since end of financial period that has significantly affected, or may significantly affect, the operations of the company, the results of those operations, or the state of affairs of the company in future financial periods.

(i) On 15 August 2011, the company announced that it had agreed to underwrite a proposed rights issue up to $1,000,000 by Clean Teq. In line with this underwriting, the company has agreed to provide a facility to Aqua Guardian Group in order that they can partly sub-underwrite the proposed rights issue, as well as for Aqua Guardian Group to provide funds to Clean Teq in advance of completion of the rights issue.

30. Key management personnel compensation

Details of Key management personnel

Key management is defined as directors and senior management as referred to in the remuneration report.

i. Key management personnel compensation

The aggregate compensation made to directors and other members of key management personnel of the company and the Group is set out below:

	Consolidated		Company	
	2011 $	2010 $	2011 $	2010 $
Short-term employee benefits	1,331,351	770,086	908,614	206,522
Post-employment benefits	40,875	8,654	40,875	8,654
Share-based payments	588,500	510,616	388,692	510,616
	1,960,726	**1,289,356**	**1,338,181**	**725,792**

ii. Key management personnel equity holdings

Fully paid ordinary shares of Wasabi Energy Limited

	Balance at 1 July 2010 No.	Granted as compensation No.	Received on exercise of rights No.	Net other change No. (iii)	Bal at 30 June 2011 No.
2011					
Directors					
J. Byrne	121,864,231	-	66,920,722	25,000,000	213,784,953
S. Morris	16,436,267	-	16,621,071	-	33,057,338
R. Reynolds	18,442,627	-	-	500,000	18,942,627
R. Vallender	5,106,438	-	-	-	5,106,438
M. Jacques	4,000,000	-	-	-	4,000,000
Senior Management					
D. Bettess (i)	-	-	-	4,500,000	4,500,000
N. Bleijendaal (i)	-	-	-	-	-
B. Levy (ii)	-	3,000,000	-	5,500,000	8,500,000
A. Davey	157,106	-	-	-	157,106
K. Thurairasa	953,425	-	-	249,129	1,202,554

(i) Appointed on 20 December 2010
(ii) Appointed on 1 February 2011
(iii) Shares traded on the open market

30. Key management personnel compensation (con't)

ii. Key management personnel equity holdings (con't)

Fully paid ordinary shares of Wasabi Energy Limited

	Balance at 1 July 2009 No.	Granted as compensation No.	Received on exercise of rights No.	Net other change No. (iii)	Bal at 30 June 2010 No.
2010					
Directors					
J. Byrne	22,066,667	-	64,260,157	35,537,407	121,864,231
S. Morris	7,500,000	-	8,939,267	-	16,436,267
R. Reynolds	3,400,000	-	13,542,627	1,560,000	18,442,627
R. Vallender	-	-	5,106,438	-	5,106,438
M. Jacques	-	-	-	4,000,000	4,000,000
T Wise	18,585,738	-	-	(18,585,738)	-
Senior Management					
A. Davey (i)	104,000	-	53,106	-	157,106
K. Thurairasa (ii)	40,000	-	20,425	873,000	953,425

(i) A.Davey - appointed 1 July 2009

(ii) K.Thurairasa - Appointed 1 July 2009

(iii) Shares traded on the open market

No other key personnel hold or traded ordinary shares during the year.

Options of Wasabi Energy Limited

	Balance at 1 July 2010 No.	Granted as compensation No.	Market acquired (net) No.	Exercised/ (Expired) No.	Bal at 30 June 2011 No.	Bal vested at 30 June 2011 No.	Vested but not exercisable No.	Vested and exercisable No.	Rights vested during year No.
2011									
Directors									
J. Byrne	107,920,722	-	-	66,920,722	41,000,000	20,000,000	-	41,000,000	-
S. Morris	18,750,000	-	-	16,621,071	2,128,929	2,128,929	-	2.128,929	-
R. Reynolds	10,000,000	-	-	-	10,000,000	10,000,000	-	10,000,000	-
R. Vallender	15,000,000	-	-	-	15,000,000	10,000,000	-	15,000,000	-
M. Jacques	-	10,000,000	-	-	10,000,000	10,000,000	-	10,000,000	10,000,000
Senior Management									
A. Davey	8,000,000	-	-	-	8,000,000	8,000,000	-	8,000,000	-
K. Thurairasa	-	5,000,000	-	-	5,000,000	5,000,000	-	5,000,000	5,000,000
D. Bettess	-	15,000,000	-	-	15,000,000	15,000,000	-	15,000,000	15,000,000
N. Bleijendaal	-	15,000,000	-	-	15,000,000	15,000,000	-	15,000,000	15,000,000
B. Levy	-	5,000,000	-	-	5,000,000	5,000,000	-	5,000,000	5,000,000

Options of Wasabi Energy Limited

	Balance at 1 July 2009 No.	Granted as compensation No.	Market acquired (net) No.	Exercised/ (Expired) No.	Bal at 30 June 2010 No.	Bal vested at 30 June 2010 No.	Vested but not exercisable No.	Vested and exercisable No.	Rights vested during year No.
2010									
Directors									
J. Byrne	-	20,000,000	87,920,722	-	107,920,722	20,000,000	-	107,920,722	107,920,722
S. Morris	10,000,000	10,000,000	8,750,000	(10,000,000)	18,750,000	10,000,000	-	18,750,000	18,750,000
R. Reynolds	10,000,000	10,000,000	6,700,000	(16,700,000)	10,000,000	10,000,000	-	10,000,000	10,000,000
R. Vallender	10,000,000	10,000,000	5,000,000	(10,000,000)	15,000,000	10,000,000	-	15,000,000	15,000,000
M. Jacques	-	-	-	-	-	-	-	-	-
T. Wise (i)	10,000,000	-	-	(10,000,000)	-	-	-	-	-
Senior Management									
A. Davey	-	8,000,000	-	-	8,000,000	8,000,000	-	8,000,000	8,000,000
K. Thurairasa	-	-	-	-	-	-	-	-	-

All options issued to key management personnel were made in accordance with the provisions of the employee share plan.

During the financial year 7,871,071 options (2010: Nil) were exercised by key management personnel.

Further details of the employee share plan and of options granted during the 2011 and 2010 financial years are contained in note 34 to the financial statements.

31. Related party transactions

(a) Equity interests in related parties

Equity interests in subsidiaries
Details of the percentage of ordinary shares held in subsidiaries are disclosed in note 26 to the financial statements.

(b) Equity interests in associates

Details of interests in associates are disclosed in note 13 to the financial statements.

(c) Transactions with key management personnel

i. Key management personnel compensation
Details of key management personnel compensation are disclosed in note 30 to the financial statements.

ii. Loans to key management personnel
There were no loans to key management personnel during the financial year.

iii. Other transactions with key management personnel of the Group
There were no other transactions with key management personnel of the Group during the financial year or in prior year except for $1,025,000 advanced by John Byrne to the company in addition to $5,225,127 advanced in the previous year. During the year $5,531,808 was repaid and a further $669,207 was applied against exercise of options in the company.
Interest rate of 7% was applied to 31 October 2010 and 10% for the rest of the year. Interest for the year amounted to $328,413.

iv. Transactions with key management personnel of Wasabi Energy Limited and Global Geothermal Limited

J. Byrne, S. Morris, R. Reynolds, R. Vallender, M. Jacques, A. Davey, D. Bettess, N. Bleijendaal, K. Thurairasa and B. Levy are key management personnel of Wasabi Energy. Information regarding the individual key management personnel compensation is provided in the remuneration report section of the directors' report.

(d) Transactions with other related parties

Transactions between Wasabi Energy Limited and its related parties
During the financial year, the following transactions occurred between the Company and its other related parties:

- During the year Australian Renewable Fuels an associate company till 29 April 2011 repaid loan amounting to $2,763,726 together with interest of $95,601 by way of shares in the company for $1,349,249 and remainder in cash. Interest was paid at the rate of 10% per annum.

- Aqua Guardian Group an associate company of Wasabi Energy Limited was advanced $2,525,732 during the year. Interest is payable at the rate of 10% per annum. An amount of $73,572 was charged as interest.

- During the year the company received $60,000 from AGD Mining Pty Ltd and $5,413 from Arcourt Resources NL as management fees. Furthermore AGD Mining Pty Ltd charged $42,454 on account of Management services to Wasabi Energy Limited. John Byrne is a director of both companies. The fees were charged at cost.

- As at 30 June 2011 an amount of $26,053 was owing from East Coal Inc. John Byrne is a director of East Coal Inc.

The following balances arising from transactions between the Company and its related parties are outstanding at reporting date:

Amount owing from Global Geothermal Limited - $4,409,847

All amounts advanced to or payable to related parties are unsecured and are subordinate to other liabilities.
The amounts outstanding will be settled in cash.

Transactions between the Company and its subsidiary were eliminated in the preparation of consolidated statements of the Group.

Transactions between the Group and its related parties

During the financial year, no transactions occurred between the Group and its other related parties.

(e) Parent entity
The parent entity in the Group is Wasabi Energy Limited.

32. Remuneration of auditors

	Consolidated		Company	
	2011	**2010**	**2011**	**2010**
	$	**$**	**$**	**$**
Audit and review of the financial report	142,576	100,000	101,865	100,000
Other non-audit services				
- Related to AIM Listing	193,780	112,500	193,780	112,500
	336,356	**212,500**	**295,645**	**212,500**

Other auditors	Consolidated		Company	
	2011	**2010**	**2011**	**2010**
	$	**$**	**$**	**$**
Preparation of financial report	30,330	37,435	-,	-
Preparation of the tax return	95,680	-	68,700	-
	126,010	**37,435**	**68,700**	**-**

33. Earnings per share

	Consolidated	
	2011 Cents per share	**2010 Cents per share**
Basic earnings (loss) per share	(0.02)	(0.65)
Diluted earnings (loss) per share	(0.02)	(0.65)

Basic earnings per share

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

	2011 $	**2010 $**
Net Loss (i)	446,912	8,241,125

(i) Net Loss is the same amount as loss after tax in the statement of comprehensive income attributable to owners of the parent

	2011 No.	**2010 No.**
Weighted average number of ordinary shares for the purposes of basic earnings per share	1,813,456,582	1,261,146,992

Diluted Earnings (Loss) Per Share

The options held by rights holders have not been included in the weighted average number of ordinary shares for the purposes of calculating diluted EPS as they do not meet the requirements for inclusion in AASB 133 “Earnings per Share”. The rights are non-dilutive as they do not increase loss per share from continuing operations.

34. Share-based payments

During the financial year the company issued 10,000,000 options to Directors as approved by the shareholders on 29 November 2010 and a further 30,000,000 options to officers as approved by the directors on 20 December 2010 and a further 48,150,000 options to officers as approved by the directors on 25 February 2011.

The following share-based payment arrangements were in existence during the current periods:

	Number of Options	Expiry date	Exercise price $	Fair value at grant date $
Tranche 1 (Grant date 25 Nov 2009)	42,128,929	30 Sep 2012	1.6 cents	1.3 cents
Tranche 2 (Grant date 19 Jan 2010)	8,000,000	30 Sep 2012	2.0 cents	1.0 cents
Tranche 3 (Grant date 29 Nov 2010)	10,000,000	30 Sep 2012	1.6 cents	1.0 cents
Tranche 4 (Grant date 20 Dec 2010)	30,000,000	30 Sep 2012	2.8 cents	1.0 cents
Tranche 5 (Grant date 25 Feb 2011)	48,150,000	24 Feb 2013	3.9 cents	0.7 cents

The weighted average fair value of the options granted during the financial year is 0.84 cents. They were priced using a Black-Scholes valuation model. Where relevant, the expected life used in the model has been adjusted based on management's best estimates.

	Option series grant date				
Inputs into the model	25 November 2009	19 January 2010	29 November 2010	20 December 2010	25 February 2011
Grant date share price	2.1 cts	1.8	2.5	2.8	4.4
Exercise price	1.6 cts	2.0	1.6	2.8	3.9
Expected volatility	14.59%	13.58%	8.81%	8.99%	9.01%
Performance right term	(i)	(i)	(i)	(i)	(i)
Dividend yield	-	-	-	-	-
Risk-free interest rate	6.5%	6.25%	5.12%	5.19%	5.20%
Option life	2 yrs, 10 mths	2 yrs, 8 mths	1yr,10 mths	1 yr,9 mths	2 yrs

(i) All options expire on the earlier of their expiry date or termination of the individual's employment. The Directors and employees are entitled to exercise their options and be issued with the shares anytime after vesting (subject to being in employment).

The following reconciles the outstanding options granted under the employee share plan at the beginning and end of the financial year:

	2011		2010	
	Number of rights	Weighted average exercise price cents	Number of rights	Weighted average exercise price cents
Balance at beginning of the financial year	58,000,000	1.30	40,000,000	3.25
Granted during the financial year	104,650,000	3.25	58,000,000	1.30
Exercised during the year	(7,871,071)	1.30	-	-
Forfeited during the financial year	-	-	(10,000,000)	3.25
Expired during the financial year	-	-	(30,000,000)	3.25
Balance at end of the financial year (iii)	154,778,929	2.62	58,000,000	1.30
Exercisable at end of the financial year	154,778,929	2.62	58,000,000	1.30

(ii) Exercised during the financial year
During the financial year 7,871,071 options granted under the employee share option plan were exercised.

34. Share-based payments (con't)

(iii) Balance at the beginning of the financial year

The share options outstanding at the beginning of the financial year had an exercise price of 1.30 cents and a weighted average remaining contractual life of 457 days.

(iv) Balance at end of the financial year

The share options outstanding at the end of the financial year had an exercise price of 2.62 cents, and a weighted average remaining contractual life of 557 days.

(v) Options issued by subsidiary

During the year the company acquired all outstanding 450,000 employee options on issue in Global Geothermal. Of the options purchased 200,000 options were valued at $2.02 per share less option exercise price which amounted to $339,600. The share price was determined by the price paid for further shares in Global Geothermal at arm's length basis. The remaining 250,000 options were purchased by the issue of 20m fully paid ordinary shares in the company. This acquisition was valued at $620,000, being the market value of 20m ordinary shares on issue date. Excess consideration of $195,500 paid on this acquisition was treated as employee share based payment costs.

Directors' declaration

The directors declare that:

(a) in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable

(b) in the directors' opinion, the attached financial statements are in compliance with International Financial Reporting Standards, as stated in note 2 to the financial statements

(c) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity, and

(d) the directors have been given the declarations required by s.295A of the Corporations Act 2001.

Signed in accordance with a resolution of the directors made pursuant to s.295 (5) of the Corporations Act 2001.

On behalf of the Directors

John Byrne
Executive Director

Melbourne, 31 August 2011

Deloitte.

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The Board of Directors
Wasabi Energy Limited
Level 9, 175 Collins Street
MELBOURNE VIC 3000

31 August 2011

Dear Board Members

Wasabi Energy Limited

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Wasabi Energy Limited.

As lead audit partner for the audit of the financial statements of Wasabi Energy Limited for the year ended 30 June 2011, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely,

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Ian Sanders

Ian Sanders
Partner
Chartered Accountant

Deloitte.

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Independent Auditor's Report to the members of Wasabi Energy Limited

Report on the Financial Report

We have audited the accompanying financial report of Wasabi Energy Limited, which comprises the statement of financial position as at 30 June 2011, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity, comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 22 to 63.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply 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. Those 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 of the financial report that gives a true and fair view, 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.

Deloitte.

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

Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Wasabi Energy Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

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

(i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2011 and of their performance for the year ended on that date; and

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

(b) the financial statements also comply with International Financial Reporting Standards as disclosed in Note 2.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 12 to 17 of the directors' report for the year ended 30 June 2011. 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 Australian Auditing Standards.

Auditors Opinion

In our opinion the Remuneration Report of Wasabi Energy Limited for the year ended 30 June 2011, complies with section 300A of the *Corporations Act 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Ian Sanders

Ian Sanders
Partner
Chartered Accountants
Melbourne, 31 August 2011