ENERJI LIMITED

Enerji Ltd

ABN 62 009 423 189

(ASX: **ERJ**)

Annual Financial Report

ANNUAL FINANCIAL REPORT
31 December 2013

ENERJI LIMITED

CONTENTS

CORPORATE DIRECTORY

Directors

Mr Colin Stonehouse - Chairman, CEO & Managing Director
Mr Justin Audcent - Non-executive Director
Mr Rolf Hasselström - Non-executive Director

Management

Mr Geoffrey Reid - Company Secretary
Ken MacCormick - General Manager Development

Notice of AGM

The annual general meeting of Enerji Ltd will be held the offices of BDO, 38 Station Street Subiaco, at 11.00am on or about 28th May 2014.

Principal Registered Office in Australia

Ground Floor
10 Ord Street
West Perth WA 6005
(08) 9268 3800
www.enerji.com.au

Share register

Link Market Services Pty Ltd
Ground Floor
178 St George's Terrace
Perth WA 6000

Auditors

BDO Audit (WA) Pty Ltd
38 Station Street
Subiaco WA 6008

Solicitors

Steinepreis Paganin
Level 4, 16 Milligan Street
Perth WA 6000

Bankers

Bankwest Perth CSC
108 St Georges Terrace
Perth WA 6000

Stock exchange listings

Enerji Ltd shares are listed on the ASX in Australia (ASX: ERJ)

The directors present their report together with the financial report of the consolidated entity (referred to hereafter as the Group) consisting of Enerji Ltd ("Enerji" or "the Company"), and subsidiaries for the year ended 31 December 2013 and the auditor's report thereon.

Directors

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

Mr Colin Stonehouse (appointed 3 June 2013) - Chairman, CEO and Managing Director

Mr Justin Audcent (appointed 17 January 2014) - Non-executive Director

Mr Rolf Hasselström - Non-executive Director

Hon Ian Campbell (resigned 27 December 2013) - Chairman

Mr Greg Pennefather (resigned 15 August 2013) – Director

Mr Geoff Reid (appointed 27 December 2013, resigned 17 January 2014) – Executive Director

Company Secretary

Mr Geoffrey Reid

Information on directors

Colin Stonehouse – Chairman, CEO and managing director

Mr Stonehouse was appointed as CEO of Enerji in June 2013 and has more than 30 years experience in the power and energy sector, commencing as an engineering cadet.

He has been the recipient of the IEAust/AC Waters scholarship where he undertook research in Europe and the USA in technical, commercial and regulatory aspects of waste to energy conversion and power generation. His qualifications and awards include Leading and Managing Strategic Change (AGSM), Senior Executive Development Program (Melbourne Business School), Leadership Development Program (UWA Business School, AIM WA), Vincent Fairfax Ethics in Leadership Award (Saint James Ethics Centre), Graduate Diploma Business - strategic planning (Deakin) and Bachelor of Engineering (Curtin).

His experience includes: power project development, feasibility, design and commercialisation; strategy, governance, due diligence, performance modelling and compliance of power infrastructure for owners, buyers and lenders; power procurement, negotiation and commercial arrangements; and policy, regulation, pricing and economic dispatch analysis in electricity markets.

Prior roles include Director of Griffin Power, General Manager Power Development for Alinta Energy and Manager Strategic Studies for Sinclair Knight Merz.

Mr Stonehouse has no other directorship in public companies.

Former directorships in last 3 years

Griffin Power Pty Ltd.

Special responsibilities

Chair of the board.

Interests in shares and options

70,000,000 ordinary shares in Enerji Ltd.

Rolf Hasselström - Non-executive director.

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

Other current directorships

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

Former directorships in last 3 years

None.

Special responsibilities

None.

Interests in shares and options

4,000,000 ordinary shares in Enerji Limited.

4,000,000 options in Enerji Limited.

Justin Audcent - Non-executive director.

Mr Audcent has over 20 years experience in accounting and finance, most recently as a partner within Ernst & Young's Transaction Advisory Services practice for five years, prior to which he was the Head of Corporate Finance for HLB Mann Judd.

He is a member of The Institute of Chartered Accountants in Australia, a graduate of the Australian Institute of Company Directors and holds an honours degree from the University of Oxford (UK).

He has considerable experience in the energy, resources, infrastructure and related services sectors and in coordinating relationships with financiers, investment banks and other advisors.

Other current directorships

No other directorship in public companies.

Former directorships in last 3 years

None.

Special responsibilities

None.

Interests in shares and options

None.

Company Secretary

The company secretary is Mr Geoffrey Reid CPA. Mr Reid was appointed to the position of company secretary on 25 February 2011. Before joining Enerji Ltd he held similar roles in mining and the oil and gas industry.

Meetings of directors

	Meetings Attended	Meetings Held
C Stonehouse	1	1
R Hasselström	2	2
J Audcent	-	-
I Campbell	2	2
G Pennefather	1	1

Note: Number of meetings held is for the time the director held office or was a member of the committee during the year.

Corporate actions

Consolidation of capital

At EGM on 31 January 2014 shareholders voted in favour of a resolution to consolidate the issued capital through a conversion of every 10 securities in the Company into 1 security in the Company, The consolidation took effect on 17 February 2014.

Entitlement Offer

The Company announced a fully underwritten entitlement offer (Offer) on 11 February 2014. This Offer is 1 New Share for every 1 Share held. The Offer closed 18 March 2014.

Principal activities

The principal activities of the Group during the course of the financial year were:

- Design and development of systems to produce electricity from heat

Review and results of operations

The consolidated entity recorded an operating loss after income tax of $4,924,410 (2012: $7,316,793 loss). The loss including the following items of significance:

- Amortisation of distribution right acquired ($1,009,404)
- Impairment of assets ($816,284)

The net assets of the consolidated entity at 31 December 2013 were $5,584,180 (2012: $7,394,543).

As at 31 December 2013 the Group had cash and cash equivalents of $105,201.

The net cash outflow from operating activities of $1,325,297 and net cash outflow from investing activities of $1,246,423, pre-dominantly being payments for the Carnarvon project.

Remuneration Report

The remuneration report covers the Group's non-executive directors and key management personnel set out below:

Executive director

Mr Colin Stonehouse (appointed 3 June 2013) - Chairman, CEO and Managing Director

Mr Greg Pennefather (resigned 15 August 2013) – Director

Mr Geoff Reid (appointed 27 December 2013, resigned 17 January 2014) – Executive Director

Non-executive directors

Mr Justin Audcent (appointed 17 January 2014) - Non-executive Director

Mr Rolf Hasselström - Non-executive Director

Hon Ian Campbell (resigned 27 December 2013) - Chairman

Executives

Mr Ken MacCormick (appointed 18 November 2013) – General manager development

Mr Peter Wassell (to 4 November 2013) – Chief Engineer

Principles of compensation

The company's key management have been restructured with new key management and a new non-executive director appointed.

The board plan was announced on 20 January 2014 with the appointment of an independent Chair being the remaining action. A specialist recruiter has been engaged to identify a suitably qualified person for this role. Subject to identifying the preferred candidate, the appointment of the independent Chair is anticipated to be concluded ahead of the annual general meeting of shareholders.

Upon the appointment of the independent Chair, a remuneration committee will be convened comprising the Chair and a non-executive director. At the first opportunity the remuneration committee will conduct a review of the company's remuneration strategy and tools with the intention of taking this to the shareholders for ratification at the annual general meeting.

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

Non-Executive Directors

On appointment to the board, all non-executive directors enter into a service agreement with the company in the form of a letter of appointment. The letter summarises the board policies and terms, including compensation, relevant to the office of director.

The total amount of remuneration, including superannuation, for all non-executive directors must not exceed the limit approved by shareholders. The aggregate cash remuneration of all non-executive directors was set at $400,000 per annum at a general meeting held on 1 December 2009.

Presently no element of director remuneration is 'at risk', that is, fees are not based on the performance of the Company or equity based.

Executive management

Executive management have authority and responsibility for planning, directing and controlling the activities of the company. Compensation levels for executive management of the Company are set competitively to attract and retain appropriately qualified and experienced and senior executives.

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

Fixed compensation consists of a base salary or fee (calculated on a total cost basis, including any fringe benefits tax related to employee benefits) as well as employer contributions to superannuation funds. The board through a process that considers individual and company achievement reviews compensation levels annually.

There was no performance-linked remuneration paid during the reporting period. The Group will be seeking to establish a short-term incentive (STI) scheme and a long-term incentive (LTI) scheme, presently there is no formal policy in place but the new remuneration committee will consider this. The CEO Mr Stonehouse has short-term and long-term incentives in his Engagement Agreement signed 24 June 2013 (refer later in this report for details). The shareholders in general meetings approve all securities issues to key management and executive directors. This is the only link between remuneration and shareholder wealth.

There is only a relatively short history of the compensation structure for the Company and the incoming remuneration committee in formulating the new policy will consider this.

	y/e 2009	y/e 2010	y/e 2011	y/e 2012	y/e 2013
Share Price $	0.21	0.26	0.12	0.05	0.002
Dividend paid	-	-	-	-	-
EPS $	(0.03)	(0.03)	(0.003)	(0.005)	(0.002)

Details of Remuneration - FY 2013 - audited

Non-Executive directors

Directors are paid base fees only, which are fixed by the Board. The Directors are entitled to be reimbursed for all travel and related expenses properly incurred in connection with the business of the Company.

Details of the nature and amount of each major element of remuneration are set out below:

Remuneration of non-executive directors

		Short-term		Long-term	Post Employment		
	Year	**Salary & fees**	**Non-monetary benefits**	**Share based payments**	**Super-annuation Benefits**	**Terminatio n benefits**	**Total**
Rolf Hasselström	2013	50,000	-	-	-	-	50,000
	2012	50,004	-	-	-	-	50,004
Justin Audcent	2013	-	-	-	-	-	-
(effective 17 January 2014)	2012	-	-	-	-	-	-
Ian Campbell	2013	107,500	-	-	9,125	-	116,625
	2012	120,000	-	19,493	9,000	-	148,493
Total	2013	157,500	-	-	9,125	-	166,625
compensation	2012	170,004	-	19,493	9,000	-	198,497

Notes: Share and options based payments relate to interest on employee share loans under the employee share scheme.

The level of Directors' remuneration is set having regard to independent survey data and publicly available information about fees paid to non-executive directors in a range of comparable companies.

The Company makes contributions at the statutory minimum rate to superannuation funds nominated by directors, in addition to the base fee. Directors' fees cover all main board activities and committee memberships.

Proportions of remuneration linked to performance

	Fixed 2013	Fixed 2012	At risk STI 2013	At risk STI 2012
Rolf Hasselström	100%	100%	-	-
Justin Audcent	100%	-	-	-
Ian Campbell	100%	100%	-	-

Executive management

Remuneration and other terms of employment for the executive management are formalised in service agreements. Details of the nature and amount of each major element of remuneration are set out below:

	Agreement Term	Base salary[1]	Termination benefit
Colin Stonehouse	12 months	$325,563 p.a.	nil
Ken MacCormick	3 months	$196,364 p.a.	nil

Notes: 1. Base salary is including superannuation.

Proportions of remuneration linked to performance

	Fixed		At risk STI		At risk LTI	
	2013	2012	2013	2012	2013	2012
Colin Stonehouse	92%	-	-	-	8%	-
Ken MacCormick	100%	-	-	-	-	-

Service agreements

Mr Stonehouse, is contracted under a services agreement for a period of 12 months, starting 3 June 2013. Mr Stonehouse may terminate the agreement without cause by giving written notice and the Company may terminate the agreement by giving written notice. Key elements of the agreement include:

- STI bonus 40% of base salary for achieving an arrangement where outstanding Powerboxes can be

Remuneration of executives

		Short-term		Long-term	Post Employment		
	Year	Salary & fees	Non-monetary benefits	Share based payments	Super-annuation Benefits	Termination benefits	Total
Colin Stonehouse	2013	162,500[1]	-	15,231[3]	-	-	177,731
(from 3 June 2013)	2012	-	-	-	-	-	-
Greg Pennefather	2013	166,039	4,717	-	11,341	-	182,097
(to 3 June 2013)	2012	290,026	9,435	-	26,102		325,563
Ken MacCormick	2013	34,462	-	-	-	-	34,464
(from 18 Nov 2013)	2012	-	-	-	-	-	-
Peter Wassell	2013	182,079	-	-	14,369	-	196,448
(to 4 Nov 2013)	2012	190,182	-	13,186[2]	18,191	-	221,559
Total	2013	545,080	4,717	15,231	25,710	-	590,740
compensation	2012	480,208	9,435	13,186	44,293	-	547,122

Notes: Geoffrey Reid acted as a director from 17 December 2013 to 17 January 2014 but did not receive any fees for this role, Mr Reid does not otherwise come under the requirements of executive management for the purposes of reporting.

1. The cash payment of fees for Colin Stonehouse in the year ended 31 December 2013 was $134,273 paid under the service agreement with Ames Associates Pty Ltd. The balance was settled with equity in accordance with the resolution 3 approved at the 13 November 2013 general meeting of shareholders.

2. Interest on employee share loans under the employee share scheme.

3. Provision for LTI incentive options, these have not been issued.

purchased without a capital raising being needed for this purpose.
- STI bonus 40% of base salary for a revenue pipeline so that operating costs are breakeven or better.
- STI bonus 20% of base salary for achieving two new viable areas of clean power business activities
- LTI incentives related to creating shareholder value being; 7,000,000 $0.09 options exercisable July 2016 when share price is $0.09 for three months within eighteen months; 7,000,000 $0.15 options exercisable July 2017 when share price is $0.15 for three month within two years; 7,000,000 $0.30 options exercisable July 2018 when share price is $0.30 for three month within three years (post consolidation). These options are yet to be issued as they are subject to shareholder approval. Values per option at initial grant dates were - $0.01, $0.007 and $0.004 respectively. These will be remeasured when/if shareholder approval is obtained.

Justin Audcent is contracted under a non- executive services agreement, which requires a commitment of a minimum 10 days a year. Mr Audcent may terminate the agreement without cause by giving written notice and the Company may terminate the agreement should, for any reason, Mr Audcent be disqualified or prohibited by law from being or acting as a director or from being involved in the management of a company.

Rolf Hasselström is employed under a non-executive services agreement, which requires a commitment of a minimum 20 days a year. Mr Hasselström may terminate the agreement without cause by giving written notice and the Company may terminate the agreement should, for any reason, Mr Hasselström be disqualified or prohibited by law from being or acting as a director or from being involved in the management of a company.

Ken MacCormick is contracted under a services agreement, which terminated on 3 February 2014. This is being re-negotiated. Mr MacCormick may terminate the agreement with 28 days written notice and the Company may terminate the agreement by giving 28 days written notice.

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

Share-based compensation

During or since the end of the financial year, the Company issued no ordinary shares as share based payments for remuneration of non-executive directors or executive management.

Options over ordinary shares in the Company were conditionally agreed as compensation to Mr Stonehouse as incentives on achieving long-term targets. Further details are provided under service agreements above.

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

The resignation of Mr Campbell and Mr Wassell has resulted in the retirement of their participation in the employee share scheme. The equity-based transaction associated with this has resulted in a write back of $61,698.

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

Directors interests

Details of directors' and executive management shareholdings are detailed in Note 18 below.

Share Trading Policy

The Company has formal policies governing the trading of the Company's securities by Directors, officers and employees. The policy prohibits Directors and employees from engaging in short term trading of any of the Company's securities and buying or selling the Company's securities if they possess unpublished, price-sensitive information.

Directors and senior management must wait three business days following significant announcements by the Company, including the release of the quarterly report, half-yearly results, the preliminary annual results and the lodgement of the Company's Annual Report (subject to the prohibition of dealing in the Company's securities if they possess unpublished price sensitive information) before dealing in the company's securities.

Directors and senior management must also receive written approval from the Chairman, in his absence the Company Secretary, before buying or selling Company securities. The Chairman must obtain written approval from the Chief Executive Officer or Company Secretary.

The Company's Share Trading Policy is available in the "Corporate Governance" section of the Company's website.

This is the end of the Audited Remuneration Report.

Capital Structure

Enerji is a company limited by shares that is incorporated and domiciled in Australia.

Enerji has four fully owned subsidiaries, Enerji Holdings Pty Ltd (formerly Jamalcom Pty Ltd), Enerji Research Pty Ltd (formerly Letharji Pty Ltd), Enerji PE Management Pty Ltd (formerly Cogen Power Pty Ltd) and Enerji GRML SPV Pty Ltd.

At the date of this report (on a post consolidation basis) the Company had 368,029,413 fully paid ordinary shares, 6,473,904 of $2.00 options over ordinary shares and 133,147,686 30c options over ordinary shares. The options have an expiry date of 31 December 2016 and 30 June 2015 respectively.

Significant changes in the state of affairs

Contributed equity increased by $3,327,725 (from $56,405,682 to $59,733,407) as the result of private placements, and the issue of shares for services rendered, see note 17.

Dividends

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

Share options

On a post consolidation basis, at the date of this report unissued ordinary shares of the Company under option are:

Expiry date	Exercise price	Number of shares
30 June 2015	$0.30	133,147,686
31 December 2016	$2.00	6,473,904

Events subsequent to reporting date

Consolidation of capital on a 10 for 1 basis was completed on 17 February 2014.

On 11 February 2014 a fully underwritten entitlement offer (Offer) was announced. The Offer was on a 1 for 1 basis to raise $1,362,476.

The Group has issued convertible notes to a value of $300,000 allocated as priority underwriting funds under the entitlement Offer and other convertible notes to the value of $310,000.

Likely developments

A detailed presentation of the company's strategic plan was provided in a briefing on 25 July 2013 with an update presentation on 4 December 2013. The second half of the 2013 year and the first quarter of the 2014 year have been focussed on execution of the strategy, particularly with regard to capital structure and produce strategy.

The directors foresee that the 2014 financial year will continue with execution of the strategy but with the focus moving more towards the business development and sales elements.

Likely developments include;

- Intense sales and marketing of the Powerbox system
- Incorporate solar thermal heat sources into the product strategy
- Incorporate heat storage into the product strategy
- Further develop the strategic plan with regard to streamlining the supply chain, cost reduction and facilitating the scaling of the business.

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

Indemnification and insurance of officers and auditors indemnification

During the financial year, Enerji Limited paid a premium of $12,075 to insure the directors and secretaries of the company and its Australian-based controlled entities.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the Group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Company. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

Environmental regulation

The Group is subject to significant environmental regulation in respect of its installation of a pilot plant at Carnarvon in Western Australia. Works approval was obtained before installation work commenced on a site under the Western Australian Environmental Protection Act 1986. The relevant authority was provided with required information, and to the best of the knowledge of the directors, all activities have been undertaken in compliance with the requirements of the works approvals in place.

Proceedings on behalf of the Company

No person has applied to the court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the Corporations Act 2001.

Corporate governance statement

The directors support the principles of good corporate governance, the Company's Corporate Governance Statement is contained at the end of the annual report.

Auditors' remuneration

There were no non-audit services provided by the auditors during the reporting period. The auditors' remuneration is disclosed in Note 19 to the financial statements.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 9.

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

Colin R Stonehouse

Director

Perth

Dated 31st March 2014

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Australia

DECLARATION OF INDEPENDENCE BY BRAD MCVEIGH TO THE DIRECTORS OF ENERJI LIMITED

As lead auditor of Enerji Limited for the year ended 31 December 2013, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Enerji Limited and the entities it controlled during the period.

Brad McVeigh

Director

BDO Audit (WA) Pty Ltd

Perth, 31 March 2014

CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2013

	Note	2013	2012
Revenue from continuing operations			
Other Income	7	**30,327**	26,321
Expenses			
Employment benefits expense		**(861,729)**	(1,274,597)
Impairment of assets	12	**(816,284)**	(1,922,000)
Directors payments		**(216,625)**	(252,997)
Share based payments		**-**	(122,829)
Consulting and professional costs		**(1,456,721)**	(2,239,846)
Depreciation and amortisation	8	**(1,065,774)**	(1,212,454)
Other expenses		**(1,280,113)**	(651,433)
Finance income		**7,611**	7,243
Finance costs		**(425,433)**	(92,756)
Loss before income tax expense from continuing operations		**(6,115,068)**	(7,761,669)
Income tax benefit	9	**1,190,658**	444,876
Loss after income tax benefit from continuing operations		**(4,924,410)**	(7,316,793)
Loss after income tax benefit for the year		**(4,924,410)**	(7,316,793)
Other comprehensive loss for the year, net of tax		**-**	-
Total comprehensive loss for the year		**(4,924,410)**	(7,316,793)
Loss for the year is attributable to:			
Owners of Enerji Limited		**(4,924,410)**	(7,316,793)
Total comprehensive loss for the year is attributable to:			
Owners of Enerji Limited		**(4,924,410)**	(7,316,793)
Earnings per share for loss attributable to the ordinary equity holders of the company:			
Basic loss per share	27	**($0.002)**	($0.005)
Diluted loss per share		**n/a**	n/a

The above Consolidated Statement of Profit and Loss and Comprehensive Income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2013

	Note	2013	2012
ASSETS			
Current assets			
Cash and cash equivalents	10	**105,201**	246,471
Prepayments and other receivables	11	**119,131**	104,061
Loans	11	**319,320**	-
Total current assets		**543,652**	350,532
Non-current assets			
Prepayments and other receivables	11	**5,674,089**	5,654,961
Property, plant and equipment	12	**3,744,614**	3,766,161
Intangible assets	13	**1,009,399**	2,018,803
Total non-current assets		**10,428,102**	11,439,925
Total assets		**10,971,754**	11,790,457
LIABILITIES			
Current Liabilities			
Trade and other payables	14	**4,543,060**	4,186,230
Loans and borrowings	15	**805,500**	105,000
Provisions	16	**39,014**	104,684
Total current liabilities		**5,387,574**	4,395,914
Total liabilities		**5,387,574**	4,395,914
Net assets		**5,584,180**	7,394,543
EQUITY			
Contributed equity	17	**59,733,407**	56,405,682
Reserves	17	**5,872,539**	6,086,217
Accumulated losses		**(60,021,766)**	(55,097,356)
		5,584,180	7,394,543
Total equity		**5,584,180**	7,394,543

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2013		**Attributable to owners of Enerji Limited**			
		Share capital	**Reserves**	**Accumulated losses**	**Total equity**
At 1 January 2012	Note	**50,126,673**	**5,594,249**	**(47,780,563)**	**7,940,359**
Total comprehensive loss for the year					
Loss for the year		-	-	(7,316,793)	(7,316,793)
Total comprehensive loss for the period		-	-	(7,316,793)	(7,316,793)
Transactions with owners in their capacity as owners					
Contribution of equity, net of transaction costs	17	3,354,852	-	-	3,354,852
Equity-based payment transaction – expenses		1,575,016	460,744	-	2,035,760
Equity-based payment transaction – loan repayments		349,000	-	-	349,000
Employee shares scheme		-	31,224	-	31,224
Conversion of convertible notes	17	1,000,000	-	-	1,000,000
Share options exercised		141	-	-	141
		6,279,009	491,968	-	6,770,977
At 31 December 2012		**56,405,682**	**6,086,217**	**(55,097,356)**	**7,394,543**
At 1 January 2013		**56,405,682**	**6,086,217**	**(55,097,356)**	**7,394,543**
Total comprehensive loss for the year					
Loss for the year		-	-	(4,924,410)	(4,924,410)
Total comprehensive loss for the period		-	-	(4,924,410)	(4,924,410)
Transactions with owners in their capacity as owners					
Contribution of equity, net of transaction costs	17	702,756	-	-	702,756
Equity-based payment transaction – expenses		1,777,969	(155,980)	-	1,621,989
Equity-based payment transaction – loan repayments		617,000	-	-	617,000
Employee shares scheme		-	(57,698)	-	(57,698)
Conversion of convertible notes	17	230,000	-	-	230,000
		3,327,725	(213,678)	-	3,114,047
At 31 December 2013		**59,733,407**	**5,872,539**	**(60,021,766)**	**5,584,180**

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2013

	Note	2013	2012
Cash flows from operating activities			
Receipts from customers		**30,000**	5,000
Payments to suppliers and employees (inclusive of goods and services tax)		**(2,545,955)**	(1,565,964)
R&D tax refund		**1,190,658**	238,135
Net cash outflow from operating activities	*25*	**(1,325,297)**	(1,322,829)
Cash flows from investing activities			
Interest received		**7,611**	7,243
Payments for property, plant and equipment		**(1,254,034)**	(1,889,169)
Net cash outflow from investing activities		**(1,246,423)**	(1,881,926)
Cash flows from financing activities			
Interest paid		**(115,946)**	(92,756)
Proceeds from issue of shares and other equity securities		**741,320**	3,501,250
Proceeds from issue of convertible notes		**230,000**	1,000,000
Proceeds from borrowings		**3,562,913**	105,000
Repayment of borrowings		**(1,940,413)**	(1,000,000)
Proceeds from exercise of share options		**-**	140
Payment of transaction costs		**(47,424)**	(389,764)
Net cash inflow from financing activities		**2,430,450**	3,123,870
Net decrease in cash and cash equivalents		**(141,270)**	(80,885)
Cash and cash equivalents at the beginning of the year		**246,471**	327,356
Cash and cash equivalents at end of the year		**105,201**	246,471

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

31 December 2013

1 Reporting entity

Enerji Limited (the "Company") is a company domiciled in Australia. The address of the Company's registered office is Ground floor, 10 Ord Street, West Perth WA 6005. The consolidated financial statements of the Company as at and for the year ended 31 December 2013 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities"). The Group primarily is involved in the marketing of energy recovery and clean energy generation solutions.

2 Basis of preparation

(a) Statement of compliance

The financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (AASBs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The consolidated financial statements of the Group comply with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB).

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis.

(c) Functional and presentation currency

These consolidated financial statements are presented in Australian dollars, which is the functional currency of the Company and each of its subsidiaries.

(d) Critical accounting estimates and judgements

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

(e) Critical judgements in applying the entity's accounting policies

a. In the 2013 financial statements, the Group made a significant judgement about the impairment of an intangible asset, namely distribution rights. The Group follows the guidance of AASB 138 Intangible Assets to determine when an intangible asset is impaired. The determination requires significant judgement. In making this judgement, the Group evaluates, among other factors, the fair value of the rights against the cost. The fair value of the intangible was measured using an independent valuation and then impaired down to the agreed value as set out in the put and call option agreement, as exercised on 14 September 2009.
b. In the 2013 financial statements, the Group made a significant judgement about the impairment of property, plant and equipment, namely the Carnarvon Power Station WHPS Project. The Group follows the guidance of AASB 116 Property, Plant and Equipment to determine when an asset is impaired. The determination requires significant judgement. In making this judgement, the Group evaluates, among other factors, the replacement value of the asset against the cost. The replacement value of the project is based on the cost to design, construct and install a similar project. The impairment has been tested through discounted cash flows which includes the use of assumptions.

(f) Changes in accounting policies

No changes to the Group's accounting policies for the year.

(g) Going concern

The financial statements have been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

The Group incurred a comprehensive loss after tax for the year ended 31 December 2013 of $4,924,410 (2012: $7,316,793) and experienced net cash outflows from operating activities of $1,325,297 (2012: $1,322,829).

In order to continue to make instalments on further Powerboxes and complete projects, the Group will be required to secure debt funding in the form of project or equipment finance or raise equity. The Group's Management has held preliminary discussions with a large Australian bank specifically to be satisfied of the reasonableness of this approach. The Company provided technical data and independent valuation material to the bank and the informal feedback from bank is that the technology and the valuations are acceptable and that a funding application would be routinely considered once a project is advanced to the appropriate stage, i.e. revenue is contracted.

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Having regard to the matters set out above and the funds received under the recent fully underwritten Entitlement Offer, the Directors believe that at the date of signing the financial statements, there are reasonable grounds to believe that the Group will be able to meet its obligations as and when they fall due.

3. Significant accounting policies

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

(a) Basis of consolidation

(i) Business combinations

The acquisition method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree, either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

Contingent liabilities

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

Transaction costs

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

(ii) Subsidiaries

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

(iii) Transactions eliminated on consolidation

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

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

(c) Financial instruments

(i) Non-derivative financial assets

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

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

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

The Group has the following non-derivative financial assets.

Loans and receivables

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

(ii) Non-derivative financial liabilities

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

The Group has non-derivative financial liabilities comprising trade and other payables and loans, which are recognised initially at fair value and subsequently at amortised cost. Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group has an obligation to make future payments in respect of the purchase of these goods and services.

(d) Share capital

Ordinary shares

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

(e) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

(f) Property, plant and equipment

(i) Recognition and measurement

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

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

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

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within other income in profit or loss.

(ii) Subsequent costs

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

(iii) Depreciation

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

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

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

- Plant and equipment (Construction in progress assets and fittings and equipment) 5 years
- Computers (Office furniture, fittings and equipment) 4 years
- Fixtures and fittings (Construction in progress assets) 10 years
- Major components (Construction in progress assets) 10 - 15 years.

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

(g) Leases

Operating lease payments are recognised as an operating expense in the statement of comprehensive income on a straight-line basis over the lease term.

(h) Intangible assets

(i) Goodwill

Goodwill is measured at cost less accumulated impairment losses.

(ii) Research and development

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

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

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

(iii) Amortisation

Amortisation is recognised in the profit and loss on a straight-line basis over the estimated useful lives of the intangible assets from the date they are available for use unless such lives are indefinite. Goodwill and intangible assets with an indefinite useful life are not amortised but are systematically tested for impairment annually. The estimated useful lives for the current and comparative periods are as follows:

Distribution Licence - 5 years

(iv) Distribution rights

Costs associated with the initial acquisition of Enerji Holdings Pty Ltd (formerly Jamalcom Pty Ltd), the holder of the distribution rights for Opcon Powerboxes in Australia were capitalised as intangible assets. The directors review the carrying value of the Distribution Rights to ensure the carrying value does not exceed their recoverable amount and if an impairment in value arises, the intangible asset is written down.

(i) Leased assets

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

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

(j) Impairment

(i) Financial assets (including receivables)

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

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

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

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

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

(ii) Non-financial assets

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

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

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

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

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

(k) Employee benefits

(i) Termination benefits

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

(ii) Employee leave benefits

Wages & salaries and annual leave liabilities for wages and salaries, including non-monetary benefits, are expected to be settled within 12 months of the reporting date and are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Expenses for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

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

(iii) Share-based payment transactions

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

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

(l) Provisions

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

(m) Finance income and finance costs

Finance income comprises interest income on funds invested. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

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

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

(n) Income tax

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

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

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

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income tax expenses that arise from the distribution of cash dividends are recognised at the same time that the liability to pay the related dividend is recognised. The Group does not distribute non-cash assets as dividends to its shareholders.

As per Note 9, the R&D tax offset refund in recognised in the Consolidated statement of profit or loss and other comprehensive income in the period it is received.

(o) Goods and services tax

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

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

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

(p) Earnings per share

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

(q) Segment reporting

The Group determines and presents operating segments based on the information that internally is provided to the CEO, who is the Group's chief operating decision maker.

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

The Group is organised into one operating segment. These operating segments are based on the internal reports that are reviewed and used by the Board of Directors in assessing performance and in determining the allocation of resources.

(r) New and amended standards adopted by the Group

New Standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 January 2013 have not affected the amounts recognised in the current period or any prior period and are not likely to affect future periods. However, amendments made to AASB 101 Presentation of Financial Statements effective 1 July 2012 now requires the statement of comprehensive income to separately disclose other comprehensive income between items that maybe classified to profit or loss if certain conditions are met and those that are not permitted to be reclassified to profit or loss.

(s) New standards and interpretations not yet adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted for the annual reporting period ended 31 December 2013. The assessment of the directors as to the impact of the new or amended Accounting Standards or Interpretations most relevant to the Group, is set out over the page:

Reference	Title	Summary	Application date of standard	Impact on consolidated financial report	Application date for Group
AASB 9 (issued December 2009 and amended December 2011)	Financial Instruments	Amends the requirements for classification and measurement of financial assets. The available-for-sale and held-to-maturity categories of financial assets in AASB 139 have been eliminated. Under AASB 9, there are three categories of financial assets: • Amortised cost • Fair value through profit or loss • Fair value through other comprehensive income. The following requirements have generally been carried forward unchanged from AASB 139 Financial Instruments: Recognition and Measurement into AASB 9: • Classification and measurement of financial liabilities; and • Derecognition requirements for financial assets and liabilities. However, AASB 9 requires that gains or losses on financial liabilities measured at fair value are recognised in profit or loss, except that the effects of changes in the liability's credit risk are recognised in other comprehensive income.	Annual reporting periods beginning on or after 1 January 2015	Adoption of AASB 9 is only mandatory for the year ending 31 December 2015. The entity has not yet made an assessment of the impact of these amendments. The entity does not have any financial liabilities measured at fair value through profit or loss. There will therefore be no impact on the financial statements when these amendments to AASB 9 are first adopted.	1 January 2015
AASB 2013-9 (issued December 2013)	Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments	Makes three amendments to AASB 9: • Adding the new hedge accounting requirements into AASB 9 • Deferring the effective date of AASB 9 from 1 January 2015 to 1 January 2017, and • Making available for early adoption the presentation of changes in 'own credit' in other comprehensive income (OCI) for financial liabilities under the fair value option without early applying the other AASB 9 requirements. Under the new hedge accounting requirements: • The 80-125% highly effective threshold has been removed • Risk components of non-financial items can qualify for hedge accounting provided that the risk component is separately identifiable and reliably measurable • An aggregated position (i.e. combination of a derivative and a non-derivative) can qualify for hedge accounting provided that it is managed as one risk exposure • When entities designate the	Annual reporting periods beginning on or after 1 January 2015	The entity may enter into derivatives to manage foreign currency/interest rate/commodity price risk when prudent but it currently does not apply hedge accounting as no hedge contracts have been entered into. These derivative instruments are currently recognised as fair value changes in profit or loss. Under the amendment, the entity is likely to qualify and will elect to apply cash flow hedge accounting. When this amendment applies, the fair value changes relating to the effective portion of the derivatives will be recognised in other comprehensive income and reclassified to profit or loss when the hedged forecast cash flow affects profit or loss, or if the transaction results in the recognition of a non-financial asset or liability, the gain or loss recognised in other comprehensive income is	The application date of AASB 9 has been deferred to 1 January 2017. The entity has not yet made an assessment of the impact of these amend-ments.

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Reference	Title	Summary	Application date of standard	Impact on consolidated financial report	Application date for Group
		intrinsic value of options, the initial time value is deferred in OCI and subsequent changes in time value are recognised in OCI • When entities designate only the spot element of a forward contract, the forward points can be deferred in OCI and subsequent changes in forward points are recognised in OCI. Initial foreign currency basis spread can also be deferred in OCI with subsequent changes be recognised in OCI • Net foreign exchange cash flow positions can qualify for hedge accounting.		included in the initial carrying amount of the non-financial asset or liability. These changes apply prospectively so comparatives do not need to be restated.	
IFRS 2	Share-based Payment	**Definition of vesting condition** The amendment clarifies the definition of vesting conditions and market conditions by separately defining a performance condition and a service condition, both of which were previously incorporated within the definition of a vesting condition without themselves being specifically defined.	Share-based payments transactions for which grant date is on or after 1 July 2014	There will be no impact on the financial statements when these amendments are first adopted because they apply prospectively to share-based payment transactions for which the grant date is on or after 1 July 2014.	1 January 2015
IFRS 3	Business Combinations	**Accounting for contingent consideration in a business combination** The amendment clarifies that contingent consideration is assessed as either a liability or an equity instrument on the basis of IAS 32 Financial Instruments: Presentation. The amendment also requires contingent consideration that is not classified as equity to be remeasured to fair value at each reporting date, with changes in fair value being reported in profit or loss.	Business combinations occurring on or after 1 July 2014	There will be no impact on the financial statements when these amendments are first adopted because they apply prospectively to business combinations for which the acquisition date is on or after 1 July 2014.	1 January 2015

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Standards likely to have a disclosure impact only

AASB 2012-6 (issued September 2012)	Amendments to Australian Accounting Standards - Mandatory Effective Date of AASB 9 and Transition Disclosures	Defers the effective date of AASB 9 to 1 January 2015. Entities are no longer required to restate comparatives on first time adoption. Instead, additional disclosures on the effects of transition are required.	Annual reporting periods beginning on or after 1 January 2015	As comparatives are no longer required to be restated, there will be no impact on amounts recognised in the financial statements. However, additional disclosures will be required on transition, including the quantitative effects of reclassifying financial assets on transition.	1 January 2015
IAS 24	Related Party Disclosures	**Key management personnel** The amendment clarifies that an entity that provides key management personnel services ('management entity') to a reporting entity (or to the parent of the reporting entity), is a related party of the reporting entity. The amendment also requires separate disclosure of amounts recognised as an expense for key management personnel services provided by a separate management entity (but not in the categories set out in IAS 24.17).	Annual periods beginning on or after 1 July 2014	There will be no impact on the financial statements when these amendments are first adopted because this is a disclosure standard only. The Group currently engage the services of the CEO through a management entity, and provides disclosure around this. It is unlikely that any material additional disclosures will be required when this amendment is adopted for the first time for the year ended 31 December 2015.	1 January 2015
AASB 2011-4 (issued July 2011)	Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements	Deletes the disclosure requirements for individual key management personnel from AASB 124 Related Party Disclosures.	Annual reporting periods beginning on or after 1 July 2013	When this standard is first adopted for the year ended 31 December 2014, individual key management personnel disclosures relating to reconciliations of their option and shareholding balances, loans, and other transactions and balances, will no longer be presented in the notes to the financial statements under AASB 124. Instead, Regulation 2M.3.03(1) of the Corporations Act 2001 requires that these disclosures be included as part of the audited remuneration report.	1 January 2014

4. Determination of fair values

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

(i) Share-based payment transactions

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

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

5. Financial risk management

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The executive directors are responsible for developing and monitoring risk management policies and report regularly to the Board of Directors on their activities. Details of credit risk, liquidity risk, currency risk, interest rate risk and capital management are disclosed in Note 28 to the financial statements.

6 Segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the CEO. The Group has determined that it has one operating segment.

7 Other income

	2013	2012
Profit on disposal of assets	**-**	17,443
Realised foreign exchange gain (net)	**327**	493
Other income	**30,000**	8,385
	30,327	26,321

8 Expenses

Loss before income tax includes the following specific expenses:

Depreciation	**2013**	2012
Plant and equipment	**16,590**	19,234
Total depreciation	**16,590**	19,234
Amortisation		
Distribution rights	**1,009,404**	1,012,169
Borrowing costs	**39,780**	181,051
Total amortisation expense	**1,049,184**	1,193,220
Total depreciation and amortisation	**1,065,774**	1,212,454
Impairment of assets		
Plant and equipment	**816,284**	1,922,000
Total impairment	**816,284**	1,922,000

On review of the future value of pilot plant at Carnarvon Power Station it was determined to write-down the asset value to its estimated recoverable amount. (Refer Note 12).

Rental expenses relating to operating leases	**22,074**	23,668
Defined contribution superannuation expense	**81,645**	109,227

9 Income tax benefit

(a) Income tax benefit

	2013	2012
Deferred tax credit arising from temporary differences		
Write-back of tax effect on tax treatment of impairment	-	206,741
Receipt of a R&D tax rebate	1,190,658	238,135
Total income tax (benefit) / expense	1,190,658	444,876
Attributable to:		
Continuing operations	1,190,658	444,876
	1,190,658	444,876

Under the R&D tax incentive legislation, small companies can claim an R&D tax offset, under section 355-100 of the Income Tax Assessment Act 1997 (ITAA97), that is, a refundable tax offset, equivalent to the value of certain deductions available under the R&D tax incentive. For the 2012 year, total eligible R&D expenditure was $2,645,907 therefore R&D tax offset refund entitlement received in 2013 @ 45% was $1,190,658.

(b) Numerical reconciliation of income tax expense to prima facie tax payable

	2013	2012
Loss from continuing operations before income tax expense	6,115,068	7,761,669
Tax at the Australian tax rate of 30% (2012 – 30%)	(1,834,520)	(2,328,501)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
• R&D tax rebate	(1,190,658)	(238,135)
• Non-deductible expenses	(3,820)	(20,195)
• Deferred tax assets not brought to account	1,838,340	2,141,955
Income tax benefit	(1,190,658)	(444,876)

The franking account balance at year end was $nil (2012: $nil). All unused tax losses were incurred by Australian entities.

Net deferred tax assets have not been brought to account as it is not probable within the immediate future that tax profits will be available against which deductible temporary differences and tax losses can be utilised.

10 Current assets – Cash and cash equivalents

	2013	2012
Cash at bank and in hand	5,201	146,471
Restricted cash – bank guarantee	100,000	100,000
	105,201	246,471

The bank guarantee will be release on satisfaction of the underlying contract.

11 Current assets - Prepayments and other receivables

Current	2013	2012
Other receivables	119,131	104,061
Loan to related party (refer note 18(c))	319,320	-
	438,451	104,061
Non-current		
Prepayments – Opcon Powerboxes	5,491,767	5,491,767
Capitalised borrowing costs	19,128	-
Other receivables	163,194	163,194
	5,674,089	5,654,961

Fair value and credit risk

The fair value of securities held for certain trade receivables is insignificant as it is the fair value of any collateral sold or re-pledged. Refer to note 28 for more information on the risk management policy of the Group and the credit quality of the entity's trade receivables.

Impaired receivables and receivables past due

None of the current receivables are impaired.

Loan to related party

Refer to Note 22 for further details.

Prepayments to Opcon

Prepayments comprise deposits and other amounts paid to Opcon AB with respect to orders for Powerboxes. During the year to 31 December 2013, no further prepayments have been made to Opcon AB (December 2012: $nil) for 3rd Generation Powerboxes ordered.

12 Non-current assets - Property, plant and equipment

	Construction in progress	Office furniture, fittings and equipment	Total
Year ended 31 December 2012			
Opening net book amount	2,862,411	86,516	2,948,927
Additions	2,751,641	6,827	2,758,468
Impairment charge	(1,922,000)	-	(1,922,000)
Depreciation charge	-	(19,234)	(19,234)
Closing net book amount	3,692,052	74,109	3,766,161
At 31 December 2012			
Cost or fair value	5,614,052	132,200	5,746,252
Accumulated depreciation	-	(58,091)	(58,091)
Impairment of assets	(1,922,000)	-	(1,922,000)
Net book amount	3,692,052	74,109	3,766,161
Year ended 31 December 2013			
Opening net book amount	3,692,052	74,109	3,766,161
Additions	808,377	2,950	811,327
Impairment charge	(816,284)	-	(816,284)
Depreciation charge	-	(16,590)	(16,590)
Net book amount at 31 December 2013	3,684,145	60,469	3,744,614
At 31 December 2013			
Cost or fair value	6,422,429	135,150	6,557,579
Accumulated depreciation	-	(74,681)	(74,681)
Impairment of assets	(2,738,284)	-	(2,738,284)
Net book amount	3,684,145	60,469	3,744,614

A review was undertaken of the fair value of the Carnarvon project. The result of this review was to impair the carrying value down to the replacement value of the project, resulting in an impairment amount of $816,284 and a carrying value of $3,684,145 at 31 December 2013.

13 Non-current assets - Intangible assets

	Distribution rights
Year ended 31 December 2012	
Opening net book amount	3,030,972
Amortisation charge	(1,012,169)
Closing net book amount	2,018,803
At 31 December 2012	
Cost	8,340,284
Impairment of asset - 2010	(3,340,284)
Accumlated amortisation and impairment	(2,981,197)
Net book amount	2,018,803
Year ended 31 December 2013	
Opening net book amount	2,018,803
Amortisation charge	(1,009,404)
Closing net book amount	1,009,399
At 31 December 2013	
Cost	8,340,284
Impairment of asset - 2010	(3,340,284)
Accumlated amortisation and impairment	(3,990,601)
Net book amount	1,009,399

Intangible assets comprise distribution rights associated with the purchase of Enerji Holdings Pty Ltd (formerly Jamalcom Pty Ltd) with a carrying value of $1,009,399. As at 31 December 2013 the remaining amortisation period relating to the distribution rights is 1 year.

14 Current liabilities - Trade and other payables

	2013	2012
Trade payables - Opcon AB	**2,764,671**	2,224,898
Trade payables - other	**1,778,389**	1,961,332
	4,543,060	4,186,230

15 Current liabilities – Loans and borrowings

	2013	2012
Short term facility	**705,500**	-
Unsecured loans	**100,000**	105,000
	805,500	105,000

Short-term facility

On 13 March 2013 Enerji Ltd executed a Facility Agreement which provided for a loan facility of up to $1,110,000, at an interest rate of 15%pa, secured against R&D Tax Refunds. On 22 May 2013 Enerji Ltd received a tax refund under the R&D Tax Incentive program and repaid the amount outstanding under the facility. On 9 December 2013 the facility was re-negotiated to $800,000, of which $705,500 had been drawn down as at 31 December 2013. This amount will be repaid upon receipt of the R&D tax refund for the 2013 financial year, which is expected to be received following lodgement of the Group’s 2013 tax return.

Unsecured loans

Funds were received from an existing shareholder for working capital purposes.

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16 Current liabilities - Provisions

	2013	2012
Employee	**39,014**	104,684
	39,014	104,684

The entire amount of the employee provision is presented as current, since the Group does not have an unconditional right to defer settlement for any of these obligations. However, based on past experience, the Group does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months. The following amounts reflect leave that is not to be expected to be taken or paid within the next 12 months.

	2013	2012
Leave obligations expected to be settled after 12 months	27,310	73,279

17 Equity

(a) Contributed equity

The Company completed a consolidation of capital on 17 February 2014. This was approved at a general meeting of shareholders on 31 January 2014 for every 10 shares / options to be converted in 1 share / option. The following tables are presented on a pre-consolidation basis.

	2013 Shares	2012 Shares	**2013 $**	2012 $
Share Capital				
Ordinary shares				
Fully paid	**2,725,155,755**	1,499,323,980	**59,733,407**	56,405,682
Options	**Options**	Options		
$0.20 Expiry December 2016	**64,737,499**	64,737,499	**-**	-
$0.03 Expiry June 2015	**1,331,475,456**	761,073,993	**-**	-
Total contributed equity			**59,733,407**	56,405,682

The following movements in issued capital occurred during the year:

	2013 No. of Shares	**2013 $**	2012 No. of Shares	2012 $
Balance at the beginning of the year	**1,499,323,980**	**56,405,682**	770,169,575	50,126,673
Shares issued for cash	**324,058,856**	**741,320**	388,417,520	3,544,617
Shares issued on exercise of options	**-**	**-**	3,538	140
Shares issued on conversion of notes	**139,822,970**	**230,000**	81,621,965	1,000,000
Shares issued for services rendered	**425,839,197**	**1,401,996**	220,726,767	2,139,122
Shares issued for interest payable	**46,349,252**	**185,397**	-	-
Equity adjustments for share-based payments	**-**	**190,576**	-	(364,106)
Shares issued to repay loans	**289,761,500**	**617,000**	38,384,615	349,000
Shares issue and capital raising costs	**-**	**(38,564)**	-	(389,764)
Total contributed equity	2,725,155,755	59,733,407	1,499,323,980	56,405,682

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Ordinary shares

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

Capital Management

Enerji's capital management policy provides a framework to maintain a capital structure to support the development of the business into one that is income producing.

The Company seeks to utilise available borrowing facilities when and to the extent prudent to do so, in order to maximise returns for equity shareholders and limit the need to raise additional equity capital

Dividends

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

(b) Reserves

	2013	2012
	$	$
Share based reserves - Reserve holding shares subject to the achievement of performance based measures	**3,470,000**	3,470,000
Options based reserves	**2,402,539**	2,616,217
	5,872,539	6,086,217

The following movements in reserves occurred during the year:

	2013		2012	
$0.03 Options expiry 30 June 2015	**No. of Options**	**$**	No. of Options	$
Balance at the beginning of the year	**761,073,993**	**994,344**	330,210,211	533,600
Options issued for cash[1]	**162,029,426**	**-**	223,625,442	-
Options issued on exercise of options	**-**	**-**	(3,337)	-
Options issued on conversion of notes[2]	**69,911,485**	**-**	-	-
Options issued for services rendered[3]	**170,405,176**	**-**	198,049,369	219,467
Options issued for interest payable[3]	**23,174,626**	**-**	-	-
Equity adjustments for share-based payments	**-**	**(155,980)**	-	241,277
Options issued to repay loans[4]	**144,880,750**	**-**	9,192,308	-
Total Options	**1,331,475,456**	**838,364**	761,073,993	994,344
$0.20 Options expiry 31 December 2016	**No. of Options**	**$**	No. of Options	$
Balance at the beginning of the year	**64,737,499**	**1,545,238**	64,737,499	1,545,238
Total Options	**64,737,499**	**1,545,238**	64,737,499	1,545,238

Notes:

1. Options were free attaching to capital raising and no value has been separately ascribed to them.
2. Options were attached to conversion of convertible note. No value has been separately allocated to these options.
3. Options were issued in addition to shares issue. No value has been separately ascribed to these options.
4. Options issued as free attaching to shares issued to settle loan liabilities. No value has been separately ascribed to these options.

The following Options are embedded in employee share scheme:

Balance 1 January	**76,635**	45,411
Interest on loan from issue of 10,000,000 ordinary shares under employee share scheme	**(57,698)**	31,224
Balance 31 December	**18,937**	76,635

Nature and purpose of other reserves

The issue of options in lieu of cash are considered share based payments.

Under the employee share scheme the provision of an interest free Company loan results in an embedded option and the implied interest is included as a share based payment.

$0.20 options expiry December 2016 for the purchase of ordinary shares on payment of exercise price.

$0.03 options expiry June 2015 for the purchase of ordinary shares on payment of exercise price.

18 Key management personnel disclosures

(a) Key management personnel compensation

	2013	2012
Short-term employee benefits	**707,297**	489,643
Post-employment benefits	**34,835**	44,293
Share based payments	**15,231**	32,679
	757,363	918,182

Detailed remuneration disclosures are provided in the remuneration report on pages 4 to 7.

(b) Equity instrument disclosures relating to key management personnel

No shares were issued upon exercising of previously issued options.

The following options agreed during the period and will be issued subject to shareholder approval.

	Tranche 1	Tranche 2	Tranche 3
Number of Options (pre-consolidation)	70,000,000	70,000,000	70,000,000
Model used for valuation	Binomial	Binomial	Binomial
Vesting Condition	3 fold increase in share price	5 fold increase in share price	10 fold increase in share price
Exercise price	$0.009*	$0.0007*	$0.0004*
Initial Grant date	1 July 2013	1 July 2013	1 July 2013
Expected Volatility	90%	90%	90%
Risk-free rate	5.2%	5.2%	5.2%
Expected dividend yield	0%	0%	0%

* option value to be remeasured at grant date, subject to shareholder approval.

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Option holdings

The number of options over ordinary shares in the Company held during the financial year by each director of Enerji Limited and other key management personnel of the Group, including their personally related parties, are set out below. There we were no options granted during the reporting period as compensation.

2013							
Name	**Balance at start of the year**	**Granted as compensation**	**Exercised**	**Other changes**	**Balance at the end of the year**	**Vested and exercisable**	**Unvested**
Directors of Enerji Limited							
C Stonehouse	-	-	-	-	-	-	-
J Audcent	-	-	-	-	-	-	-
R Hasselström	4,000,000	-	-	-	4,000,000	4,000,000	
I Campbell[1]	-	-	-	-	-	-	-
G Pennefather[2]	2,169,502	-	-	-	2,169,502	2,169,502	-
G Reid[3]	-	-	-	-	-	-	-
Other key management personnel of the group							
K MacCormick	-	-	-	-	-	-	-
P Wassell	4,833,334	-	-	-	4,833,334	4,833,334	-

1. I Campbell resigned from the Board on 27 December 2013
2. G Pennefather resigned from the Board on 15 August 2013
3. G Reid resigned from the Board on 17 January 2014.

2012							
Name	**Balance at start of the year**	**Granted as compensa tion**	**Exercised**	**Other changes**	**Balance at the end of the year**	**Vested and exercisable**	**Unvested**
Directors of Enerji Limited							
I Campbell	-	-	-	-	-	-	-
G Pennefather	2,169,502	-	-	-	2,169,502	2,169,502	-
R Hasselström	4,000,000	-	-	-	4,000,000	4,000,000	
Other key management personnel of the group							
P Wassell	4,833,334	-	-	-	4,833,334	4,833,334	-

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Share holdings

The number of shares in the Company held during the financial year by each director of Enerji Limited and other key management personnel of the Group, including their personally related parties, are set out below. There were no shares granted during the reporting period as compensation.

2013							
Name	**Balance at start of the year**	**Granted as compen sation**	**Acquired for cash**	**Other changes**	**Balance at the end of the year**	**Vested and exercisable**	**Unvested**
Directors of Enerji Limited							
C Stonehouse	-	-	385,280,000[1]		385,280,000	385,280,000	-
J Audcent	-	-	-	-	-	-	-
R Hasselström	4,000,000	-	-	-	4,000,000	4,000,000	-
I Campbell	4,000,000	-	-	-	4,000,000	-	4,000,000[3]
G Pennefather	36,130,655	-	-	(19,332,501)[2]	16,798,154	16,798,154	-
G Reid	-	-	-	-	-	-	-
Other key management personnel of the group							
K MacCormick	-	-	-	-	-	-	-
P Wassell	2,500,000	-	-	-	2,500,000	-	2,500,000[1]

2012							
Name	**Balance at start of the year**	**Granted as compen sation**	**Acquired for cash**	**Other changes**	**Balance at the end of the year**	**Vested and exercisable**	**Unvested**
Directors of Enerji Limited							
I Campbell	4,000,000	-	-	-	4,000,000	-	4,000,000[2]
G Pennefather	54,248,118	-	-	(18,117,463)	36,130,655	36,130,655	-
R Hasselström	4,000,000	-	-	-	4,000,000	4,000,000	
Other key management personnel of the group							
P Wassell	2,500,000	-	-	-	2,500,000	-	2,500,000[1]

1. Includes shares purchased for cash, shares purchased through a loan as per Engagement Agreement when Executive Management fees are settled with equity and shares issued in lieu of payment of Executive Management.

2. On market sale post employment.

3. Share not vested as received under employee share plan and requires payment of loan before vesting.

(c) Loans to key management personnel

Details of loans made to directors of Enerji Limited and other key management personnel of the Group, including their personally related parties, are set out below.

Aggregates for key management personnel

	Balance at start of the year	New loans	Loans cancelled or repaid	Interest paid and payable for the year	Interest not charged	Balance at the end of the year	Number in group at the end of the year
2013	**332,500**	**319,320**	**(332,500)**	**-**	**-**	**319,320**	**1**
2012	332,500	-		-	32,679	332,500	2

The loan balance carried forward from 2012 was Employee share loans with terms as per the employee share plan of Enerji Limited. The employees these loans related to have now left the company and consequently the loans were cancelled and the Company is dealing with the shares.

The services of Mr Stonehouse are provided under an Engagement Letter with Ames Associates Pty Ltd that provides that payment for Executive Management services may be made with equity. In addition Mr Stonehouse provided loan funds to the Company during the year. When the Company agreed with Mr Stonehouse to make payment for outstanding fee and loan funds with equity at $0.016, being the same price other securities had been issued to others in previous 30 days, the Engagement Letter provides for the an equivalent number of shares to be issued, with the Company providing a twelve month loan to purchase the equivalent securities. The issue of these shares was approved in a general meeting of shareholders on 13 November 2013.

19 Remuneration of auditors

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	2013	2012
BDO Audit (WA) Pty Ltd	**$**	$
Audit and review of financial statements	**46,115**	45,966
Other assurance services	**-**	-
Total remuneration for audit and other assurance services	**46,115**	45,966
Total remuneration of BDO Audit (WA) Pty Ltd	**46,115**	45,966
Total auditors' remuneration	**46,115**	45,966

20 Contingencies

In June 2013 the Company received a claim from Mr Greg Pennefather for a termination payment of approximately $330,000. The Company obtained advice and based upon this formed a view that the claim was not valid. Mr Pennefather has maintained the claim.

21 Commitments

(a) Lease commitments

The Group leases offices under a non-cancellable operating lease expiring in three years. The lease has an escalation clause. No renewal terms have been set out. The only restrictions imposed by the leasing arrangement is a bank guarantee for four months rent. Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

	2013	2012
	$	$
Within one year	**148,488**	148,488
Later than one year but not later than five years	**148,488**	445,464
	296,976	593,952

(b) Opcon Energy Systems AB

Pursuant to the Australian distribution agreement with Opcon Energy System AB there is no minimum commitment to purchase Opcon Powerboxes. At present there are six Opcon Powerboxes on order, with outstanding payments on these of AU$2,764,671.

(c) Bank Guarantees

Pursuant to the lease agreement for Ground floor 10 Ord Street West Perth a bank guarantee is required resulting in $55,000 being on deposit with Bankwest. $50,632 has been drawn upon in January 2014 and a variation agreed with the landlord for pre-payments in lieu of a bank guarantee.

Pursuant to the power purchase agreement with Horizon Power a bank guarantee is required resulting in $100,000 being deposited with ANZ.

22 Related party transactions

Mr Hasselström's director fees were outstanding at year-end and therefore an amount payable of $50,004 is due at 31 December 2013.

The Engagement Letter under which Mr Stonehouse provides services to the Company allows the payment of Executive Management fees with shares. In addition Mr Stonehouse provided loan funds during the year. When the Company agreed with Mr Stonehouse to make payment for outstanding fee and loan funds with equity, the Engagement Letter provides for the amounts paid in equity, in the same amount, be provided as a twelve month loan to purchase the equivalent securities. Refer note 18 for further details.

23 Subsidiaries and transactions with non-controlling interests

Significant investments in subsidiaries during the year ended 31 December 2013 are set out below:

Name of entity	Country of incorporation	Class of shares	Equity holding **2013**	Equity holding 2012
			%	%
Enerji Holdings Pty Ltd (formerly Jamalcom Pty Ltd)	Australia	Ordinary	100	100
Enerji Research Pty Ltd (formerly Letharji Pty Ltd)	Australia	Ordinary	100	100
Enerji PE Management Pty Ltd (formerly Cogen Power Pty Ltd)	Australia	Ordinary	100	100
Enerji GMRL SPV Pty Ltd	Australia	Ordinary	100	100

24 Events occurring after the reporting period

Consolidation of capital on a 10 for 1 basis was completed on 17 February 2014.

On the 11 February 2014 a Fully Underwritten Entitlement Offer was announced. The offer was on a 1 for 1 basis to raise $1,362,476.

The Group has issued convertible notes to a value of $300,000 allocated as priority underwriting funds under the entitlement Offer and other convertible notes to the value of $310,000.

25 Reconciliation of profit after income tax to net cash inflow from operating activities

	2013	2012
	$	$
Loss for the period	**(4,924,410)**	(7,316,793)
Finance income	**(7,611)**	(7,243)
Depreciation and amortisation	**1,065,774**	1,922,000
Asset writedown	**816,284**	
Unrealised fx losses	**420,314**	71,769
Share-based payment transactions	**1,587,393**	3,198,747
Change in other receivables	**(34,203)**	(255,323)
Change in prepayments	**(319,320)**	135,102
Change in trade and other payables	**1,326,810**	75,423
Change in employee provision	**(65,670)**	39,234
R&D Tax concession offset	**(1,190,658)**	(238,135)
Net cash outflow from operating activities	**(1,325,297)**	(1,415,585)

26 Non-cash investing and financing activities

	2013	2012
	$	$
Acquisition of plant and equipment by means of equity issue	**613,432**	-
Repayment of loans by means of equity issue	**617,000**	-

27 Earnings per share

	2013	2012
Basic loss per share	**$**	$
From continuing operations attributable to the ordinary equity holders of the Company	**(0.002)**	(0.005)
Total basic loss per share	**(0.002)**	(0.005)

The calculation of basic loss per share for the year ended 31 December 2013 is based on the loss attributable to ordinary shareholders of $4,924,410 (2012: $7,316,793) and a weighted number of ordinary shares outstanding of 1,822,618,648 (2012: 1,499,323,980).

There are no instruments on issue that are considered dilutive for calculating dilutive earnings per share.

28 Share-based payments

(a) Employee share scheme

A scheme under which shares may be issued by the Company to employees with an interest free loan for the purchase price of the shares was approved by shareholders at a general meeting on 1 December 2009.

Under the scheme, no invitations to participate in the plan were given in the year ended 31 December 2013.

(b) Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expense were as follows:

	2013	2012
	$	$
Expense payments	**-**	-
Effective put option included in employee share scheme	**(57,698)**	31,224
	(57,698)	31,224

29 Financial instruments

Financial risk management policies

The Group financial instruments consist mainly of deposits with banks, accounts receivables and payable and domestic loans.

The Board of Directors analyse financial risk exposure at Board Meetings to evaluate treasury management strategies in the context of the most recent economic conditions and forecasts.

The Board's overall risk management strategy seeks to assist the Group in meeting its financial targets, whilst minimizing potential adverse effects on financial performance.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or other counterparty to a financial instrument fails to discharge their obligations.

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

		Carrying amount	
	Note	**2013**	2012
Loans and receivables – current	11	**438,451**	104,061
Loans and receivables – non current		**163,194**	163,194
Cash and cash equivalents	10	**105,201**	246,471
		706,846	513,726

The Group manages credit risk through dealing with creditworthy counterparties and balances are monitored on an ongoing basis.

Group sensitivity

Based on the financial instruments held at 31 December 2013, had the Australian dollar weakened/strengthened by 5% against the SEK with all other variables held constant, the Group's post-tax loss for the year would have been 5,046,756 / 4,782,246.

Liquidity risk

The Group has limited exposure to liquidity risk as the Group's main liabilities are trade and other payables.

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

The Group manages liquidity risk by monitoring forecast cash flows and ensuring adequate access to funds from unutilised borrowing facilities or other sources.

Currency and market risk

The Group, has a hedging policy in place and uses Travelex to provide advice and solutions for the management of the Group's currency exposure.

At present, the Group has no foreign currency hedges in respect of forecast sales and purchases. The Group also has no hedges in place for its trade receivables and trade payables denominated in a foreign currency.

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the SEK (swedish krona).

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

Management has set up a policy that all transactions in foreign currencies be transacted at spot. Management will continually review this policy based on volumes of foreign currency required.

Interest rate risk

The Group's exposure to interest rates relate primarily to cash and cash equivalents. As at 31 December 2013 the Group has no financial liabilities subject to interest rate movements. Sensitivity to interest rate risk is considered immaterial.

Summarised sensitivity analysis

The Group has used ranges of rate and price fluctuations that approximate the rates observed over the reporting period to estimate its sensitivity to market rates. The Group's main interest rate exposures are to Australian short-term interest rates; its foreign exchange risk is to the Australian Dollar, Swedish Krona and Euro rates.

The Group's exposure to foreign currency risk at the end of the reporting period, expressed in Australian dollar, was as follows:

	2013	2012
	$	$
Trade payables - SEK	**2,764,671**	2,224,898
Trade payables - EUR	**136,242**	113,630

Based on the financial instruments held at 31 December 2013, had the Australia dollar weakened/strengthened by 5% against the SEK with all other variables held constant, the Group's post-tax loss for the year would have been $4,576,649 higher/$4,841,119 lower, mainly as a result of foreign exchange gains/losses on translation of SEK denominated liabilities as detailed in the above table.

Fair values

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

The company does not have any financial assets or liabilities held at fair value.

Capital management

The Board's policy is to maintain a strong asset base so as to maintain investor, creditor and market confidence and to sustain future development of the business. There were no changes in the Group's approach to capital management during the year. Neither the Company nor any of its subsidiaries is subject to externally imposed capital requirements.

30 Parent entity financial information

	2013	2012
Statement of financial position	**$**	$
Current assets	**122,428**	250,611
Total assets	**4,867,787**	9,438,193
Current liabilities	**(2,320,734)**	(2,043,650)
Total liabilities	**(2,359,748)**	(2,043,650)
Net Assets	**2,508,039**	7,394,543
Shareholders' equity		
Issued Capital	**59,733,405**	56,405,680
Reserves	**5,872,539**	6,086,217
Accumulated losses	**(63,097,905)**	(55,097,354)
	2,508,039	7,394,543
Loss for the year	**(8,000,551)**	(9,625,095)
Total comprehensive loss	**(8,000,551)**	(9,625,095)

Refer to Note 20 and 21 for specific commitments and contingent liabilities that exist in the parent entity.

DECLARATION BY DIRECTORS

The directors of the Company declare that:

1. The financial statements, comprising the statement of comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity, accompanying notes, are in accordance with the Corporations Act 2001 and:

   (a) comply with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

   (b) give a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the year ended on that date.

2. The Company has included in the notes to the financial statements an explicit and unreserved statement of compliance with International Financial Reporting Standards.

3. 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.

4. The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:

C R Stonehouse
Director

Perth
31st March 2014

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INDEPENDENT AUDITOR'S REPORT

To the members of Enerji Limited

Report on the Financial Report

We have audited the accompanying financial report of Enerji Limited, which comprises the consolidated statement of financial position as at 31 December 2013, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, 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.

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 gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 2a, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Stat*ements, 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 about 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 company'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 company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

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

Basis for Qualified Opinion

Included in Enerji Limited's Consolidated Statement of Financial Position as at 31 December 2013 is an amount of $10,185,311 which relates to assets directly associated with the groups Powerbox assets (being Property, plant and equipment, Prepayments and Intangible assets). As at 31 December 2013, the carrying value of these assets is supported by discounted cashflow models prepared by management. As management does not have any current contracts to support the timing and certainty of the assumptions used in these models, we have been unable to satisfy ourselves as to the accuracy of these inputs, and therefore any affect that a change to these assumptions may have on the discounted cash flows should the information have been available. Accordingly, we do not express an opinion on the recoverability of the above balances included in the Consolidated Statement of Financial Position as at 31 December 2013 and whether adjustments to these amounts are necessary.

Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph:

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

  (i) giving a true and fair view of the consolidated entities financial position as at 31 December 2013 and of its performance for the year ended on that date; and

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

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

Emphasis of matter

Without modifying our opinion further, we draw attention to Note 2(g) in the financial report, which indicates that the ability of the consolidated entity to continue as a going concern is dependent upon the future successful raising of necessary funding through debt or equity to continue to make instalments on further Powerboxes and complete projects. These conditions, along with other matters as set out in Note 2(g), indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 31 December 2013. 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.

Opinion

In our opinion, the Remuneration Report of Enerji Limited for the year ended 31 December 2013 complies with section 300A of the *Corporations Act 2001*.

BDO Audit (WA) Pty Ltd

BDO

Brad McVeigh
Director

Perth, 31 March 2014