Enerji Limited

ABN 62 009 423 189

Annual Report

31 December 2011

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Enerji Limited

Corporate directory

Directors	Honourable Mr Ian Campbell Chairman Mr Greg Pennefather Managing director and CEO Mr Rolf Hasselström Non-executive director
Company Secretary	Mr Geoffrey Reid
Divisional general manager	**Engineering** Mr Peter Wassell
Notice of annual general meeting	The annual general meeting of ENERJI LIMITED **will be held at BDO 38 Station Street Subiaco** **time 9.30am** **date on or about 16th May 2012**
Principal Registered Office in Australia	Ground Floor 10 Ord Street West Perth WA 6005 (08) 9268 3800
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 Limited shares are listed on the Australia Securities Exchange (ASX: ERJ) and in the United States on the OTCQX (OTCQX: ENYLY)
Internet Address	www.enerji.com.au

Directors' report

31 December 2011

Your directors present their report on the consolidated entity (referred to hereafter as the group) consisting of Enerji Limited ("Enerji" or "the Company"), and the entities it controlled at the end of, or during, the year ended 31 December 2011.

Directors

The following persons were directors of Enerji Limited during the whole of the half-year and up to the date of this report:

IG Campbell

GD Pennefather

R Hasselström

Principal activities

During the year the principal continuing activities of the group consisted of the purchase and installation of Opcon Powerboxes to generate emission free electricity.

Operating and financial review

Operating Review

During the year the consolidated entity's operations involved the development of its green power utility business by signing it's first power purchase agreement with the Western Australian government owned regional power utility, Horizon Power. This has resulted in delivery of the first third generation Opcon Powerbox into Australia and the planning for the implementation of installation at the Carnarvon Power Station.

In October, the company signed two memorandums of understanding with Energy Developments and Poseidon Nickel. Negotiations are progressing well with both parties.

Review of consolidated financial condition

The consolidated entity recorded an operating loss after income tax of $1,986,473 (2010: $9,709,404 loss). The loss including the following items of significance:

- amortisation of distribution right acquired ($1,009,404)

The net assets of the consolidated entity were $7,940,359 (2010: $6,981,558).

As at balance date the Group had cash available of $327,356 and has established a Bond facility of $6,250,000 to be used to finance the implementation of its green power utility service at customer sites.

Cash From Operations

The net cash outflow from operating activities of $2,326,148 and net cash outflow from investing activities of $1,717,386, pre-dominantly being payments for Opcon Powerboxes, was funded by capital raisings of $2,724,437 and the drawdown of $1,250,00 of bonds. The cash balance at year end was $327,356.

Corporate Structure

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

Capital Structure

As at the date of this report the Company had 760,169,575 fully paid ordinary shares and 64,737,700 options over ordinary shares on issue. The options have an exercise price of $0.20 and an expiry date of 31 December 2016.

Significant changes in the state of affairs

Contributed equity increased by $2,366,263 (from $47,760,410 to $50,126,673) as the result of private placements, rights issue, the issue of shares for services rendered and on conversion of bonds, see note 20.

The company issued 100 convertible bonds during the year which are convertible into ordinary shares as per bond facility agreement, see note 17.

Dividends

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

Events subsequent to reporting date

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

Likely developments

The directors foresee that the 2012 financial year will build on the positive results achieved during 2011 and continue the focus on:

- Acquisition of new customers;
- Delivery of the Carnarvon town site project and subsequent customer projects based on the Opcon Powerbox;
- Generating revenue;
- Maintain administration costs at current levels.

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

Information on directors

The Honourable IG Campbell. Chair – Non-executive.
Experience and expertise
Non-executive director and chair for two years. Extensive experience in the resource, environment, and energy industries, in both the private and public sectors. Mr Campbell has 17 years of Australian Government service, culminating in his appointment to the Federal Cabinet as Minister for Environment and Heritage. From 1996 through to 2007, he was a member of the Howard government Ministry. Serving as Parliamentary Secretary to the Treasurer (Peter Costello) for 4 years, he had responsibility for the Corporations Law Economic Reform Program. He attended the World Bank Board of Governors and IMF Annual meetings in 2002 and 2003. Mr Campbell served in a range of other portfolios in the Ministry and Cabinet as well as being a member of the Prime Minister's leadership group, the Expenditure Review Committee (Razor Gang) of Cabinet and Manager of Government Business in the Senate.
In addition to his public and former ministerial profile as a key member of the Australian Federal Government, Mr Campbell has had a distinguished business career. Prior to entering Parliament, he worked as an Executive Director of a major commercial and industrial property agency.

Other current directorships

Non-executive director of four other public companies: Austal Ltd (director since 2007), ASG Group Ltd (director since 2007), Solco Ltd (director since 2008) and Proto Resources and Investment Ltd (director since 2008). Also chairman of the North West Iron Ore Alliance (a private infrastructure group) and chairman of the Princess Margaret Hospital Foundation.

Former directorships in last 3 years
None.

Special responsibilities
Chair of the board

Interests in shares and options
4,000,000 ordinary shares in Enerji Limited

GD Pennefather. Managing Director.

Experience and expertise

Managing director for two years. The founder of CoGen ORC Power and has been developing the business model and researching the technology for 3 years. He is an engineer by training and his previous role was the principal consultant at leading Perth engineering consultancy, Titan Consultants. Prior to joining Titan Consultants, Mr Pennefather has been involved in several start up businesses and served on the boards of ASX listed companies. He was a co-founder of Request Broadband which introduced DSL broadband into Australia.

Other current directorships

None.

Former directorships in last 3 years
None.

Special responsibilities
Managing Director

Interests in shares and options
55,287,459 ordinary shares in Enerji Limited
2,169,502 options in Enerji Limited

R Hasslestrӧm. Non-executive director.

Experience and expertise

Mr Hasselstrӧm 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 Kapitalfӧrvaltning AB; MNW Music Records Group; Lycknis AB; Calamus AB; Calamusgruppen AB; Svenska Rotor Holding AB; RMH Holding AB; Rolf Hasselstrӧm Konsult och Fӧrvaltning AB; Landstrӧm 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

Company Secretary
The company secretary is Mr Geoffrey Reid BBus CPA. Mr Reid was appointed to the position of company secretary in on 25 February 2011. Before joining Enerji Ltd he held similar roles in mining and the oil and gas industries.
The previous company secretary Mr Greg MacMillan resigned on 25 February 2011.

Meetings of directors

	Full meetings of directors	
	A	B
I G Campbell	5	5
G D Pennefather	5	5
R Hasselström	5	5

A = Number of meetings attended

B = Number of meetings held during the time the director held office or was a member of the committee during the year

Share options
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	$0.03	330,210,211
31 December 2016	$0.20	40,737,700

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

Number of shares	Amount paid on each share
nil	-

Remuneration report - Audited

This remuneration reports sets out remuneration information for Enerji Limited's non-executive directors, executive directors and other key management personnel.

Name	Position
Non-executive and executive directors – see pages 4 to 6 above	
Other key management personnel	
G Reid	Chief financial officer and company secretary
P Wassell	Chief Engineer

Key management personnel have authority and responsibility for planning, directing and controlling the activities of the Company. The company secretaries included Geoffrey Reid and Greg MacMillan. Mr MacMillan resigned on 25 February 2011 and Mr Reid was appointed on 25 February 2011

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

The compensation structures for executives are designed to attract suitably qualified candidates, reward the achievement of strategic objectives and achieve the broader outcome of the creation of value for shareholders. The compensation 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 the Company's share price.

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

There was no performance linked remuneration during the reporting period. There is no performance hurdles included in executive directors or key management personnel's employment contracts. All securities issues to key management and executive directors are approved by the shareholders in general meetings. This is the only link between remuneration and shareholder wealth.

There is only a short history of the compensation structure for the Company. The remuneration committee and the directors consider that the Company's progress to date and the share price levels achieved do not provide any indication that the compensation structure is inappropriate.

The key management personnel of the Company as at the date of this report being:

Greg Pennefather, who is a full time employee, is employed under an executive services agreement and there is no specific term under the agreement. Greg Pennefather may terminate the agreement without cause by giving written notice of three months and the Company may terminate the agreement by giving written notice of 12 months or a termination payment of 12 months fees.

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

Geoffrey Reid, who is a full time employee, is employed under an employment contract, there is no specific term under the agreement. Mr Reid may terminate the agreement without cause by giving written notice of one month and the Company may terminate the agreement by giving written notice of one month.

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

Details of remuneration

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

Key management of the group and other executives of the company and the group
2011

	Short -term employee benefits		Post - employment benefits	Share-based payments [1]	Total
	Cash salary and fees	Non-monetary benefits	Superannuation		
	$	$	$	$	$
Non-executive directors					
I Campbell	131,420	2,024	9,000	17,310	159,754
R Hasselström	50,004	-	-	-	50,004
Sub-total non-executive directors	**181,424**	**2,024**	**9,000**	**17,310**	**209,758**
Executive directors					
G Pennefather	270,154	8,006	24,314	-	302,474
Other key management personnel					
G Reid [3]	146,923	-	13,223	-	160,146
P Wassell	187,000	-	16,830	11,709	215,539
G Macmillan[2]	6,000	-	-	-	6,000
Total key management personnel compensation	**791,501**	**10,030**	**63,367**	**29,019**	**893,917**

[1] Share and options based payments were made to directors or key management personnel in the form of interest on employee share loans under the employee share scheme.

[2] Mr MacMillan was the company secretary and resigned on 25 February 2011. He was paid through consulting company Australian Heritage Group.

[3] Mr Reid was appointed company secretary on 25 February 2011. Before this appointment he was the company's chief financial officer, retaining this position with the new appointment. Amounts shown above include all Mr Reid's remuneration during the reporting period, whether as a company secretary or as the chief financial officer.

Key management of the group and other executives of the company and the group 2010

	Short -term employee benefits		Post - employment benefits	Share-based payments [1]	
	Cash salary and fees	Non-monetary benefits	Superannuation		Total
	$	$	$	$	$
Non-executive directors					
I Campbell	113,750	-	9,224	-	122,974
R Hasselström	50,004	-	-	-	50,004
Sub-total non-executive directors	**163,754**	**-**	**9,224**	**-**	**172,978**
Executive directors					
G Pennefather	250,000	10,000	22,500	-	282,500
Other key management personnel					
G Reid [2]	-	-	-	-	-
P Wassell [3]	-	-	-	-	-
G Macmillan	90,000	-	-	-	90,000
Total key management personnel compensation	**503,754**	**10,000**	**31,724**	**-**	**545,478**

[1] No share and options based payments were made to directors or key management personnel in 2010.

[2] Mr Reid was appointed company secretary in 2011, therefore any payment for providing employee services were not in capacity as company secretary and therefore not reported.

[3] Mr Wassell was not regarded as key management personnel in 2010 and therefore no reporting of employee benefits in 2010.

There were no long term or performance benefits received by key management and the directors, accordingly this information is not included in the above table.

The overall level of key management personnel and director compensation would normally take into account the performance of the Group over a number of years. In late 2009, there was a material change in the nature of the business of the Group and all key management personnel and directors have changed, accordingly there has been no historical performance analysis of the Group and remuneration provided.

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.

The relative proportions of remuneration that are linked to performance and those that are fixed are as follows:

	Fixed remuneration		At risk - STI		At risk - LTI	
	2011	**2010**	**2011**	**2010**	**2011**	**2010**
Executive directors of Enerji Limited						
G Pennefather	**100%**	100%	**-**	-	**-**	-
Other key management personnel of the group						
G Reid [2]	**100%**	-	**-**	-	**-**	-
P Wassell [3]	**100%**	-	**-**	-	**-**	-
G Macmillan	**-**	100%	**-**	-	**-**	-
Other company and group executive						
I Campbell	**100%**	100%	**-**	-	**-**	-
R Hasselström	**100%**	100%	**-**	-	**-**	-

Service agreements

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.

Remuneration and other terms of employment for the managing director are also formalised in a service agreement. The agreement provides for the provision of performance related bonuses, other benefits including car allowance and participation, when eligible, in the Enerji Ltd Employee Option Plan. Other major provisions of the agreement relating to remuneration are set out below.

	Term of agreement	**Base salary including superannuation [1]**	**Termination benefit [2]**
G Pennefather, Managing Director	Not specified	316,100	12 months base salary

[1] Base salary quoted are for the year ended 31 December 2011; it is reviewed annually by the remuneration committee.

[2] Termination benefits are payable on early termination by the company; other than for gross misconduct, unless otherwise indicated.

Share-based compensation

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

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

No options over ordinary shares in the Company that were granted as compensation to directors during the reporting period.

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.

Shares under option

Unissued ordinary shares of Enerji Limited under option at the date of this report are as follows:

	Ordinary shares	Options over ordinary shares
I Campbell	4,000,000	-
G Pennefather[1]	55,287,459	2,169,502
R Hasselström	4,000,000	4,000,000

[1] 12,500,000 of the shares and 1,750,000 of the options are held by Jamalexal Pty Ltd of which Mr Pennefather is a director, shareholder, and beneficiary. In addition, 1,039,341 of the shares and 153,935 of the options are held by Mrs Pennefather, Mr Pennefather's wife.

All of the options held by directors at the date of this report were received in their capacity as shareholders of the Company pursuant to the bonus options issue completed on 21 December 2009. Shareholder approval was obtained at the AGM on 31 May 2010 for the company, at it's discretion, issue 4,000,000 shares under the group's employee share plan to Ian Campbell on 24th February 2011.

Share Trading Policy

In the interests of shareholder confidence and compliance with insider trading laws, the Company has formal policies governing the trading of the Company's securities by Directors, officers and employees. Details of Directors' shareholdings are disclosed above.

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.

Indemnification and insurance of officers and auditors indemnification

During the financial year, Enerji Limited paid a premium of $15,540 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 it's installation of Opcon Powerboxes and the subsequent generation of electricity as set out below:

Installation of Opcon Powerboxes
Works approval is required before installation work can commence 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 director's knowledge, 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

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

Auditors' remuneration

There were no non audit services provided by the auditors during the reporting period. The auditors' remuneration is disclosed in Note 23 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 13.

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

GD Pennefather
Director

Perth
Dated 30th March 2012

Tel: +8 6382 4600
Fax: +8 6382 4601
www.bdo.com.au

38 Station Street
Subiaco, WA 6008
PO Box 700 West Perth WA 6872
Australia

30 March 2012

Enerji Limited
The Board of Directors
Ground Floor
10 Ord Street
West Perth WA 6005

Dear Sirs,

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

As lead auditor of Enerji Limited for the year ended 31 December 2011, 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, Western Australia

Enerji Limited

Consolidated statement of comprehensive income

For the year ended 31 December 2011

	Notes	2011	2010
Revenue from continuing operations			
Other Income	7	**18,735**	6,229
Employment benefits expense		**(684,676)**	(861,024)
Directors payments		**(512,232)**	(616,149)
Director payments on termination		**-**	(430,750)
Share based payments	31b	**(45,411)**	(583,500)
Consulting and professional costs		**(824,785)**	(663,129)
Depreciation and amortisation	8	**(1,059,577)**	(975,469)
Impairment of assets		**-**	(4,980,036)
Travel costs		**(125,276)**	(182,396)
Corporate fees		**(57,681)**	(176,323)
Settlement of obligations		**-**	(120,000)
Other expenses		**(385,802)**	(351,217)
Finance income		**9,724**	74,274
Finance costs		**(2,069)**	-
Loss before income tax		**(3,669,050)**	(9,859,490)
Income tax benefit	9	**1,682,577**	150,086
Loss from continuing operations		**(1,986,473)**	(9,709,404)
Loss for the year		**(1,986,473)**	(9,709,404)
Other comprehensive income for the year, net of tax		**-**	-
Total comprehensive income for the year		**(1,986,473)**	(9,709,404)
Loss is attributable to:			
Owners of Enerji Limited		**(1,986,473)**	(9,709,404)
Total comprehensive income for the year is attributable to:			
Owners of Enerji Limited		**(1,986,473)**	(9,709,404)

Consolidated statement of comprehensive income (continued)

Earnings per share for loss from continuing operations attributable to the ordinary equity holders of the company:			
Basic loss per share	30	**($0.003)**	($0.016)
Diluted loss per share		**n/a**	n/a
Earnings per share for loss attributable to the ordinary equity holders of the company:			
Basic loss per share	30	**($0.003)**	($0.016)
Diluted loss per share		**n/a**	n/a

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Enerji Limited

Consolidated statement of financial position

As at 31 December 2011

	Notes	2011	2010
ASSETS			
Current assets			
Cash and cash equivalents	10	**327,356**	484,527
Prepayments and other receivables	11	**5,807,059**	47,585
Total current assets		**6,134,415**	532,112
Non-current assets			
Prepayments and other receivables	11	**-**	5,741,022
Deferred tax assets	12	**168,258**	-
Property, plant and equipment	13	**2,948,927**	268,280
Intangible assets	14	**3,030,972**	4,040,376
Total non-current assets		**6,148,157**	10,049,678
Total assets		**12,282,572**	10,581,790
LIABILITIES			
Current Liabilities			
Trade and other payables	15	**3,009,800**	2,041,432
Provisions	16	**65,450**	58,800
Total current liabilities		**3,075,250**	2,100,232
Non-current Liabilities			
Loans and borrowings	17	**891,964**	-
Deferred tax liabilities	18	**-**	1,500,000
Provisions	19	**374,999**	-
Total non-current liabilities		**1,266,963**	1,500,000
Total liabilities		**4,342,213**	3,600,232
Net assets		**7,940,359**	6,981,558
EQUITY			
Contributed equity	20	**50,126,673**	47,760,410
Reserves	21	**5,594,249**	5,015,238
Accumulated losses		**(47,780,563)**	(45,794,090)
Capital and reserves attributable to owners of Enerji Limited		**7,940,359**	6,981,558
Total equity		**7,940,359**	6,981,558

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

Enerji Limited

Consolidated statement of changes in equity

For the year ended 31 December 2011

	Notes	Share capital	Reserve	Accumulated losses	Total equity
		Attributable to owners of Enerji Limited			
At 1 January 2010		**36,262,679**	**4,931,740**	**(36,084,686)**	**5,109,733**
Total comprehensive income for the year					
Loss for the year		-	-	(9,709,404)	(9,709,404)
Total comprehensive income for the period		-	-	(9,709,404)	(9,709,404)
Transactions with owners in their capacity as owners					
Contribution of equity related to business combination	20	8,340,284	-	-	8,340,284
Contribution of equity, net of transaction costs	20	2,655,939	83,500	-	2,739,439
Equity-based payment transactions		500,000	-	-	500,000
Share options exercised	20	1,508	-	-	1,508
		11,497,731	83,500	-	11,581,231
At 31 December 2010		**47,760,410**	**5,015,238**	**(45,794,090)**	**6,981,558**
At 1 January 2011		**47,760,410**	**5,015,238**	**(45,794,090)**	**6,981,558**
Total comprehensive income for the year					
Loss for the year		-	-	(1,986,473)	(1,986,473)
Total comprehensive income for the period		-	-	(1,986,473)	(1,986,473)
Transactions with owners in their capacity as owners					
Contribution of equity, net of transaction costs	20	2,021,099	459,237	-	2,480,336
Equity-based payment transaction		137,664	74,363	-	212,027
Employee shares scheme		-	45,411	-	45,411
Conversion of convertible notes	21	207,500	-	-	207,500
		2,366,263	579,011	-	2,945,274
At 31 December 2011		50,126,673	5,594,249	(47,780,563)	7,940,359

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 2011

	Note	2011	2010
Cash flows from operating activities			
Payments to suppliers and employees (inclusive of goods and services tax)		**(2,713,397)**	(5,334,833)
R&D tax refund		**389,318**	
Interest paid		**(2,069)**	-
Net cash outflow from operating activities	29	**(2,326,148)**	(5,334,833)
Cash flows from investing activities			
Interest received		**9,724**	74,274
Payments for property, plant and equipment		**(1,057,459)**	(176,301)
Repayments from related party		**-**	1,938,580
Prepayments for acquisition of property, plant and equipment		**(669,651)**	(2,198,220)
Net cash outflow from investing activities		**(1,717,386)**	(361,667)
Cash flows from financing activities			
Proceeds from issue of shares and other equity securities		**2,724,437**	2,785,970
Proceeds from issue of convertible notes		**1,250,000**	-
Proceeds from exercise of share options		**-**	1,508
Payment of transaction costs		**(88,074)**	(130,031)
Net cash inflow from financing activities		**3,886,363**	2,657,447
Net decrease in cash and cash equivalents		**(157,171)**	(3,039,053)
Cash and cash equivalents at the beginning of the year		**484,527**	3,523,580
Cash and cash equivalents at end of the year		**327,356**	484,527

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the financial statements

31 December 2011

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 2011 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities"). The Group primarily is involved in the international marketing of energy recovery and clean energy generation solutions.

2 Basis of preparation

(a) Statement of compliance

The financial 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 Company's and each of it's subsidiary's functional currency.

(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.

i. Critical judgements in applying the entity's accounting policies

a) In the 2010 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.

Note 14 Intangible – 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. This price being $0.11.

(e) Changes in accounting policies

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

(f) 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 has incurred a comprehensive loss after tax for the year ended 31 December 2011 of $1,986,473 (2010: $9,709,404) and experienced net cash outflows from operating activities of $2,326,148 (2010: $5,334,833).

In order to continue to make instalments on further Powerboxes and fund working capital, the Group may be required to raise equity or secure debt funding.

The Directors believe that at the date of signing the financial statements, there are reasonable grounds to believe that having regard to matters set out above, the Group will be able to raise sufficient funds 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.

Measuring goodwill

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

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

Contingent liabilities

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

Transaction costs

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

(ii) Subsidiaries

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

(iii) Transactions eliminated on consolidation

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

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. 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) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument. The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group has non-derivative financial liabilities comprising trade and other payables which are recognised initially at fair value and subsequently at amortised cost.

(iii) Share capital

Ordinary shares

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

(d) 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.

(e) 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 5 years
- Computers 4 years
- Fixtures and fittings 10 years
- Major components 10 - 15 years.

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

(f) 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.

(g) 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 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 Jamalcom Pty Ltd, the holder of the distribution rights for Opcon Powerboxes in Australia are capitalised as intangible assets. The directors review the carrying value of the Distribution Rights to ensure the carrying value does not exceed it's recoverable amount and, and if an impairment in value arises, the intangible asset is written down.

(h) Leased assets

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

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

(i) Impairment

(i) Financial assets (including receivables)

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

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

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

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

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

(ii) Non-financial assets

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

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

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

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

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

(j) 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.

(k) Provisions

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

(l) 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, 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.

(m) 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.

(n) Goods and services tax

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

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

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

(o) 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.

(p) Segment reporting

Determination and presentation of operating segments

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. All operating segments' operating results are regularly reviewed by the Group's CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

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

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

(q) New standards and interpretations not yet adopted

Reference	Title	Summary	Application date of standard	Impact on consolidated financial report	Application date for Group
AASB 9 (issued December 2009 and amended December 2010)	Financial Instruments	Amends the requirements for classification and measurement of financial assets. The following requirements have generally been carried forward unchanged from AASB 139 *Financial Instruments: Recognition and Measurement* into AASB 9. These include the requirements relating to: • 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.	Periods beginning on or after 1 January 2013	Due to the recent release of these amendments and that adoption is only mandatory for the 31 December 2013 year end, 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 2013
AASB 10 (issued August 2011)	Consolidated Financial Statements	Introduces a single 'control model' for all entities, including special purpose entities (SPEs), whereby all of the following conditions must be present: • Power over investee (whether or not power used in practice) • Exposure, or rights, to variable returns from investee • Ability to use power over investee to affect the entity's returns from investee.	Annual reporting periods commencing on or after 1 January 2013	When this standard is first adopted for the year ended 31 December 2013, there will be no impact on transactions and balances recognised in the financial statements because the entity does not have any special purpose entities.	1 January 2013

Reference	Title	Summary	Application date of standard	Impact on consolidated financial report	Application date for Group
AASB 11 (issued August 2011)	Joint Arrangements	Joint arrangements will be classified as either 'joint operations' (where parties with joint control have rights to assets and obligations for liabilities) or 'joint ventures' (where parties with joint control have rights to the net assets of the arrangement). Joint arrangements structured as a separate vehicle will generally be treated as joint ventures and accounted for using the equity method (proportionate consolidation no longer allowed). However, where terms of the contractual arrangement, or other facts and circumstances indicate that the parties have rights to assets and obligations for liabilities of the arrangement, rather than rights to net assets, the arrangement will be treated as a joint operation and joint venture parties will account for the assets, liabilities, revenues and expenses in accordance with the contract.	Annual reporting periods commencing on or after 1 January 2013	When this standard is first adopted for the year ended 31 December 2013, there will be no impact on transactions and balances recognised in the financial statements because the entity's current joint venture is unincorporated and accounted for as stated in note 1(g). When the joint venture is incorporated, it will be accounted for using the equity method.	1 January 2013
AASB 13 (issued September 2011)	Fair Value Measurement	Currently, fair value measurement requirements are included in several Accounting Standards. AASB 13 establishes a single framework for measuring fair value of financial and non-financial items recognised at fair value in the balance sheet or disclosed in the notes in the financial statements. Additional disclosures required for items measured at fair value in the balance sheet, as well as items merely disclosed at fair value in the notes to the financial statements. Extensive additional disclosure requirements for items measured at fair value that are 'level 3' valuations in the fair value hierarchy that are not financial instruments, e.g. land and buildings, investment properties etc.	Annual reporting periods commencing on or after 1 January 2013	Due to the recent release of this standard, the entity has yet to conduct a detailed analysis of the differences between the current fair valuation methodologies used and those required by AASB 13. However, when this standard is adopted for the first time for the year ended 31 December 2013, there will be no impact on the financial statements because the revised fair value measurement requirements apply prospectively from 1 January 2013. When this standard is adopted for the first time on 1 January 2013, additional	1 January 2013

Reference	Title	Summary	Application date of standard	Impact on consolidated financial report	Application date for Group
				disclosures will be required about fair values.	
AASB 2011-9 (issued September 2011) AASB 2011-9 (issued September 2011) cont...	Amendments to Australian Accounting Standards - Presentation of Items of Other Comprehensive Income	Amendments to align the presentation of items of other comprehensive income (OCI) with US GAAP. Various name changes of statements in AASB 101 as follows: • *1 statement of comprehensive income* – to be referred to as 'statement of profit or loss and other comprehensive income' • *2 statements* – to be referred to as 'statement of profit or loss' and 'statement of comprehensive income'. OCI items must be grouped together into two sections: those that could subsequently be reclassified into profit or loss and those that cannot.	Annual periods commencing on or after 1 July 2012	When this standard is first adopted for the year ended 31 December 2013, there will be no impact on amounts recognised for transactions and balances for 31 December 2013 (and comparatives). However, the statement of comprehensive income will include name changes and include subtotals for items of OCI that can subsequently be reclassified to profit or loss in future (e.g. foreign currency translation reserves) and those that cannot subsequently be reclassified (e.g. fixed asset revaluation surpluses).	1 January 2012
AASB 1054 (issued May 2011)	Australian Additional Disclosures	Moves additional Australian specific disclosure requirements for for-profit entities from various Australian Accounting Standards into this Standard as a result of the Trans-Tasman Convergence Project. Removes the requirement to disclose each class of capital commitment and expenditure commitment contracted for at the end of the reporting period (other than commitments for the supply of inventories).	Annual reporting periods commencing on or after 1 July 2011	When this Standard is adopted for the first time for the year ended 31 December 2012, the financial statements will no longer include disclosures about capital and other expenditure commitments as these are no longer required by AASB 1054.	1 January 2011
AASB 12 (issued August 2011)	Disclosure of Interests in Other Entities	Combines existing disclosures from AASB 127 *Consolidated and Separate Financial Statements*,	Annual reporting periods	As this is a disclosure standard only,	1 January 2013

Reference	Title	Summary	Application date of standard	Impact on consolidated financial report	Application date for Group
		AASB 128 *Investments in Associates* and AASB 131 *Interests in Joint Ventures*. Introduces new disclosure requirements for interests in associates and joint arrangements, as well as new requirements for unconsolidated structured entities.	commencing on or after 1 January 2013	there will be no impact on amounts recognised in the financial statements. However, additional disclosures will be required for interests in associates and joint arrangements, as well as for unconsolidated structured entities.	

No further new/amended accounting standards or interpretations are applicable.

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

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

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

5. Financial risk management

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The executive directors are responsible for developing and monitoring risk management policies and report regularly to the Board of Directors on their activities. Details of credit risk, liquidity risk, currency risk, interest rate risk and capital management are disclosed in Note 32 to the financial statements.

6 Segment information

(a) Description of segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

The Group considers the business from an installation type and geographic perspective, which at present is only Australia. Installation types will include mine sites and town sites.

(b) Segment information provided to the chief operating decision maker

The segment information provided to chief operating decision maker for the year ended 31 December 2011 is as follows:

2011	**Australia**
Total segment revenue	-
Revenue from external customers	-
Earnings before interest and tax	2,635,337
Total segment assets	12,114,314
Total segment liabilities	4,342,213

The segment information provided to chief operating decision maker for the year ended 31 December 2010 is as follows:

2010	**Australia**
Total segment revenue	-
Revenue from external customers	-
Earnings before interest and tax	8,974,140
Total segment assets	10,581,790
Total segment liabilities	2,100,232

(c) Other segment information

(i) Adjusted EBIT

Management assesses the performance of the operating segment based on a measure of adjusted EBIT. This measurement basis excludes impairments when the impairment is the result of an isolated, non-recurring event. Interest income and expenditure are not allocated to segments, as this type of activity is a function of the group managing the overall cash position.

A reconciliation of adjusted EBIT to operating profit before income tax is provided as follows:

	2011	2010
Adjusted EBIT	**(2,635,337)**	(8,974,140)
Amortisation of distribution rights	**1,041,368**	959,624
Interest revenue	**(9,724)**	(74,274)
Interest expenses	**2,069**	-
Loss before tax from continuing operations	**(3,669,050)**	(9,859,490)

(ii) Segment assets

Amounts provided to management with respect to total assets are measured in a manner consistent with that of the financial statements. These assets are allocated based on the operations of the segments and the physical location of the asset.

Reportable segment assets are reconciled to total assets as follows:

	2011	2010
Segment assets	**12,114,314**	10,581,790
Unallocated:		
Deferred tax assets	**168,258**	-
Total assets as per balance sheet	**12,282,572**	10,581,790

(iii) Segment liabilities

Amounts provided to management with respect to total liabilities are measured in a manner consistent with that of the financial statements. These assets are allocated based on the operations of the segments and the physical location of the asset.

Reportable segment liabilities are reconciled to total liabilities as follows:

	2011	2010
Segment liabilities	**4,342,213**	2,100,232
Unallocated:		
Deferred tax liabilities	**-**	1,500,000
Total liabilities as per balance sheet	**4,342,213**	3,600,232

7 Other income

	2011	2010
Realised foreign exchange loss (net)	**(39,297)**	6,229
Unrealised foreign exchange gain (net)	**58,032**	-
	18,735	6,229

8 Expenses

Loss before income tax includes the following specific expenses:

	2011	2010
Depreciation		
Plant and equipment	**18,209**	15,845
Total depreciation	**18,209**	15,845
Amortisation		
Distribution rights	**1,009,404**	959,624
Total amortisation expense	**1,009,404**	959,624
Rental expenses relating to operating leases	**20,941**	20,941
Defined contribution superannuation expense	**86,563**	90,989

9 Income tax expense

(a) Income tax expense

	2011	2010
Write-back of tax effect on tax treatment of impairment	**(168,259)**	-
Write-off of tax effect on tax treatment of impairment	**(1,125,000)**	
Receipt of a R&D tax offset	**(389,318)**	(150,086)
Total income tax benefit in loss	**(1,682,577)**	(150,086)
Attributable to:		
Continuing operations	**(1,682,577)**	(150,086)
	(1,682,577)	(150,086)

Under the R&D tax concession legislation, small companies can claim an R&D tax offset, section 73J of the Income Tax Assessment Act 1936 (ITAA 1936), that is, a refundable tax offset, equivalent to the value of certain deductions available under the R&D tax concession. For the 2010 year, total eligible R&D expenditure was $1,038,181, total section 73B of ITAA 1936 notional 125% R&D tax concession deduction was $1,297,727 therefore R&D tax offset refund entitlement @ 30% was $389,318.

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

	2011	2010
Loss from continuing operations before income tax expense	3,669,050	9,859,490
Tax at the Australian tax rate of 30% (2010 – 30%)	(1,100,715)	(2,957,847)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Non-deductible expenses	(739,515)	2,495,486
Deductible expenses	157,653	312,275
Income tax benefit	(1,682,577)	(150,086)

10 Current assets – Cash and cash equivalents

	2011	2010
Cash at bank and in hand	**327,356**	484,527
	327,356	484,527

11 Current assets - Prepayments and other receivables

Current	2011	2010
Prepayments – Opcon Powerboxes	**5,641,559**	-
Other receivables	**165,500**	47,585
	5,807,059	47,585
Non-current		
Prepayments – Opcon Powerboxes	**-**	5,741,022

During the year to 31 December 2011, unsecured prepayments totalling $1,405,287 (December 2010: $2,198,220) have been made to Opcon AB for six 3rd Generation Powerboxes ordered. Invoices received in the year, but not paid, for further progress payments on Opcon Powerboxes totals $1,001,852.

Opcon prepayments are now classified as current because the company will take delivery and install the remaining five ordered Opcon Powerboxes over the 2012 year.

No receivables have been impaired during the period.

12 Non-current assets – Deferred tax assets

	2011	2010
The balance comprises temporary differences attributable to (at 30%):		
Amortisation of distribution rights	**302,821**	-
s40 expenditure – capital raising costs	**(78,040)**	-
Audit fees	**(8,838)**	-
Website expenditure	**(112)**	-
Unrealised foreign exchange gains	**(17,410)**	-
Employee leave provisions	**1,995**	-
Prepayments	**(34,235)**	-
Superannuation	**2,077**	-
Total deferred tax assets	**168,258**	-

13 Non-current assets - Property, plant and equipment

	Construction in progress	**Office furniture, fittings and equipment**	**Total**
At 1 January 2010			
Cost or fair value	-	112,627	112,627
Accumulated depreciation	-	(4,803)	(4,803)
Net book amount (see below)	-	107,824	107,824
Year ended 31 December 2010			
Opening net book amount	-	107,824	107,824
Additions	165,563	10,738	176,301
Depreciation charge	-	(15,845)	(15,845)
Closing net book amount	165,563	102,717	268,280
At 31 December 2010			
Cost or fair value	165,563	123,365	123,365
Accumulated depreciation	-	(20,648)	(20,648)
Net book amount	165,563	102,717	268,280
Year ended 31 December 2011			
Opening net book amount	165,563	102,717	268,280
Additions	698,263	2,007	700,270
Transfers from prepayments	1,998,585	-	1,998,585
Depreciation charge	-	(18,208)	(18,208)

Balance at 31 December 2011	2,862,411	86,516	2,948,927
At 31 December 2011			
Cost or fair value	2,862,411	125,373	2,987,785
Accumulated depreciation	-	(38,857)	(38,857)
Net book amount	2,862,411	86,516	2,948,928

14 Non-current assets - Intangible assets

	Distribution rights
At 1 January 2010	
Cost	-
Accumulated amortization and impairment	-
Net book amount	-
Year ended 31 December 2010	
Opening net book amount	-
Additions – acquisition of Jamalcom Pty Ltd	8,340,284
Impairment of asset	3,340,284
Amortisation charge	959,624
Closing net book amount	4,040,376
At 31 December 2010	
Cost	8,340,284
Impairment of asset -2010	3,340,284
Accumlated amortisation and impairment	959,624
Net book amount	4,040,376
Year ended 31 December 2011	
Opening net book amount	4,040,376
Amortisation charge	1,009,404
Closing net book amount	3,030,972
At 31 December 2011	
Cost	8,340,284
Impairment of asset - 2010	3,340,284
Accumlated amortisation and impairment	1,969,028
Net book amount	3,030,972

Amortisation charge

The amortization charge is recognized in the following item in the consolidated statement of comprehensive income:

	2011	2010
Depreciation and amortisation	1,009,404	959,624
	1,009,404	959,624

Intangible assets include distribution rights associated with the purchase of Jamalcom Pty Ltd with a carrying value of $ 3,030,972. The remaining amortisation period relating to the distribution rights is 3 years.

15 Current liabilities - Trade and other payables

	2011	2010
Trade payables - Opcon AB	1,996,059	1,787,240
Trade payables - other	1,013,741	254,192
	3,009,800	2,041,432

16 Current liabilities - Provisions

	2011	2010
Employee	65,450	58,800
	65,450	58,800

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.

	2011	2010
Leave obligations expected to be settled after 12 months	45,652	40,316

17 Non-current liabilities - Borrowings

Unsecured	2011	2010
Convertible bonds - zero coupon(a)	1,000,000	-
Capitalised borrowing costs on bond drawdowns	(108,036)	-
Total unsecured non-current borrowings	891,964	-

(a) Convertible bonds

Convertible Bonds have been issued at a coupon rate of 0% pa. They have a 5 year maturity from issue date, however are convertible during this period at the discretion of the holder. As a result, the effective interest rate on the bonds is also 0% and as such, their carrying value equals their fair value. At point of conversion, they are converted into a variable number of shares, and therefore they do not have any equity portion.

On the 2nd of February the parent entity issued 100 bonds totalling $1,000,000 to Fortensa Special Opportunities Fund Limited ("Fortensa") under the Bond Facility as approved by shareholders on 17 December 2010. These funds were used to make progress payments on Opcon Powerbox orders, pay expenses of the bond facility and replenish working capital.

On the 16th of March, Fortensa converted 25 bonds into ordinary shares in the parent entity. Based on a conversion price of $0.0211, 11,870,845 ordinary shares were issued.

On the 22nd of March a further 25 bonds were issued to Fortensa resulting in proceeds of $250,000 to progress the company's works program.

Drawdown	Bonds Issued		Bonds Converted	Shares Issued	% of Issued Capital
	#	$	#	#	
1	100	1,000,000	25	11,870,845	1.85%
2	25	250,000			

The above bonds are convertible into ordinary shares of the parent entity, on the option of the holder, or repayable as follows:
2 February 2016 $750,000
22 March 2016 $250,000

The conversion rate is the lesser of:

- 120% of the average of the closing prices per share for the 30 consecutive Trading Days immediately prior to the date the Bond is issued; or
- 90% of the lowest average of the closing prices per share in any 5 consecutive Trading Days during the 30 consecutive Trading Days immediately preceding the conversion date

but are subject to adjustments for reconstructions of equity.

18 Non-current liabilities – Deferred tax liabilities

	2011	2010
The balance comprises temporary differences attributable to:		
Acquisition of subsidiary	-	1,500,000
Total deferred tax liabilities	-	1,500,000
Deferred tax liabilities expected to be settled after more than 12 months	-	1,500,000

Movements	**Total**
At 1 January 2010	-
Charged/(credited)	
- Acquisition of subsidiary	1,500,000
At 31 December 2010	1,500,000
Charged/(credited)	
- to profit or loss	1,500,000
At 31 December 2011	-

19 Non-current liabilities - Provisions

	2011	2010
Income tax	374,999	-
	374,999	-

20 Contributed equity

	Notes	2011 Shares	2010 Shares	2011 $	2010 $
(a) Share Capital					
Ordinary shares					
Fully paid		**760,169,575**	618,440,916	**50,126,673**	47,760,410
Options		**Options**	Options		
$0.20 Expiry December 2016		**6,339,935**	6,339,935	**-**	-
$0.03 Expiry June 2015		**330,210,211**	-	**-**	-
Total contributed equity				**50,126,673**	47,760,410

(b) Movements in ordinary share capital:

Date	Details	Notes	Number of shares	Issue price	$
1 January 2010	Opening Balance		534,052,108		36,262,679
18 January 2010	Business combination		41,701,418	$0.20	8,340,284
18 January 2010	Prospectus capital raising		12,679,849	$0.20	2,405,939
21 January 2010	Exercise $0.20 options		7,541	$0.20	1,508
12 July 2010	Settlement		15,000,000	$0.03	450,000
12 October 2010	Placement		12,500,000	$0.02	250,000
12 October 2010	Services rendered		2,500,000	$0.02	50,000
31 December 2010	Balance		618,440,916		47,760,410
22 March 2011	Conversion of bonds		11,870,845		207,500
8 June 2011	Placement		54,800,004	$0.018	914,095
16 June 2011	Services rendered		526,500	$0.019	10,000
8 July 2011	Services rendered		4,203,333	$0.018	75,660
10 August 2011	Services rendered		666,667	$0.018	12,000
10 August 2011	Rights issue costs		-		(44,324)
13 September 2011	Services rendered		1,000,200	$0.02	20,004
14 September 2011	Placement		21,450,000	$0.02	395,822
18 November 2011	Placement		47,211,110	$0.018	769,506
			760,169,575		50,126,673

Ordinary shares

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

Dividends

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

21 Reserves and accumulated losses

	Notes	2011 $	2010 $
(a) Reserves			
Performance based shares		**1,595,000**	1,595,000
Share based payments		**157,863**	83,500
Ordinary shares		**1,875,000**	1,875,000
Options embedded in employee share scheme		**45,411**	-
$0.20 options expiry December 2016		**1,461,738**	1,461,738
$0.03 options expiry June 2015 (i)		**459,237**	-
		5,594,249	5,015,238

Movements:

(i) Movements in $0.03 options expiry June 2015:

Date	**Details**	Notes	**Number of options**	**Issue price**	**$**
1 January 2010	Opening Balance		-		-
31 December 2010	Balance		-		-
8 June 2011	Placement		25,900,008		-
8 July 2011	Services rendered		1,666,667		-
26 July 2011	Placement		1,500,000		-
4 August 2011	Rights issue		229,651,217	$0.002	459,237
10 August 2011	Services rendered		16,161,565	$0.002	32,323
2 September 2011	Services rendered		20,000,000	$0.002	40,000
13 September 2011	Services rendered		1,000,200	$0.002	2,040
14 September 2011	Placement		10,225,000		-
28 September 2011	Placement		500,000		-
18 November 2011	Placement		23,605,554		-
			330,210,211		533,600

	2011 $	2010 $
Share based payments		
Balance 1 January	**83,500**	-
Services rendered	**74,363**	83,500
Balance 31 December	**157,863**	83,500
Options embedded in employee share scheme		
Balance 1 January	**-**	-
Interest on loan from issue of 10,000,000 ordinary shares under employee share scheme	**45,411**	-
Balance 31 December	**45,411**	-
$0.03 options expiry June 2015		
Balance 1 January	**-**	-
Issue of options under entitlements issue	**459,237**	-
Balance 31 December	**459,237**	-

(b) Nature and purpose of other reserves

(i) Performance based shares
Reserve holding shares subject to the achievement of performance based measures
(ii) Share based payments
Share based payments that have been settled through the payment of options
(iii) Ordinary shares
Reserve holding shares subject to the achievement of performance based measures
(iv) Options embedded in employee share scheme
Interest on employee shares acquired under employee share scheme
(v) $0.20 options expiry December 2016
Options for the purchase of ordinary shares on payment of exercise price
(vi) $0.03 options expiry June 2015
Options for the purchase of ordinary shares on payment of exercise price

c) Accumulated losses

Movements in accumulated losses were as follows:

Balance 1 January	**45,794,090**	36,084,686
Net loss for the year	**1,986,473**	9,709,404
	47,780,563	45,794,090

22 Key management personnel disclosures

(a) Key management personnel compensation

	2011	2010
Short-term employee benefits	**801,531**	591,744
Post-employment benefits	**63,367**	34,375
Share based payments	**29,019**	-
Termination benefits	**-**	430,750
	893,917	1,056,869

Detailed remuneration disclosures are provided in the remuneration report on pages 2 to 6.

(b) Equity instrument disclosures relating to key management personnel

(i) No options were provided as remuneration or shares issued on exercising options
(ii) 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.

2011							
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							
I Campbell	-	-	-	-	-	-	-
G Pennefather	1,635,935	-	-	533,567[1]	2,169,502	2,169,502	-
R Hasselström	4,000,000	-	-	-	4,000,000	4,000,000	
Other key management personnel of the group							
G Reid	-	-	-	-	-	-	-
P Wassell	-	-	-	4,833,334[1]	4,833,334	4,833,334	-

[1] Purchase of shares through non-renounceable entitlements issue

2010							
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							
I Campbell	-	-	-	-	-	-	-
G Pennefather	1,653,935	-	-	-	1,653,935	1,653,935	-
R Hasselström	4,000,000	-	-	-	4,000,000	4,000,000	
Other key management personnel of the group							
G Reid	-	-	-	-	-	-	-
P Wassell	-	-	-	-	-	-	-

(iii) 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.

2011							
Name	Balance at start of the year	Granted as compensation	Acquired for shares	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[1]
G Pennefather	54,201,418	-	-	46,700	54,248,118	54,248,118	-
R Hasselström	4,000,000	-	-	-	4,000,000	4,000,000	
Other key management personnel of the group							
G Reid	-	-	-	-	-	-	-
P Wassell	-	-	-	2,500,000	2,500,000	-	2,500,000[1]

2010							
Name	Balance at start of the year	Granted as compensation	Acquired for shares	Other changes	Balance at the end of the year	Vested and exercisable	Unvested
Directors of Enerji Limited							
I Campbell	-	-	-	-	-	-	-
G Pennefather	15,000,000	-	-	39,201,418	54,201,418	54,201,418	-
R Hasselström	4,000,000	-	-	-	4,000,000	4,000,000	
Other key management personnel of the group							
G Reid	-	-	-	-	-	-	-
P Wassell	-	-	-	-	-	-	-

[1] Shares issued under Employee Share Scheme and as such unvested until interest free loan against the shares is paid

(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.

(i) Aggregates for key management personnel

	Balance at start of the year	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
2011	**-**	**-**	**29,019**	**332,500**	**2**
2010	-	-	-	-	-

Employee share loans exist with terms as per the employee share plan of Enerji Limited. All loans under the employee share plan are interest free for a period of three years and are non-resourse.

The amounts shown for interest not charged in the table above represent the difference between the amount paid and payable for the year and the amount of interest that would have been charged on an arm's-length basis.

No write-downs or allowances for doubtful receivables have been recognised in relation to any loans made to key management personnel.

23 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 a practices and non-related audit firms:

	2011	2010
	$	$
(a) BDO Audit (WA) Pty Ltd		
(i) Audit and assurance services		
Audit and review of financial statements	**35,309**	22,000
Other assurance services	**-**	-
Total remuneration for audit and other assurance services	**35,309**	22,000
(ii) Taxation services		
Total remuneration for taxation services	**-**	-
(iii) Other services		
Other	**-**	-
Total remuneration of BDO Audit (WA) Pty Ltd	**35,309**	22,000
(b) Non - BDO Audit (WA) Pty Ltd audit firms		
(i) Audit and assurance services		
Audit and review of financial statements	**-**	110,700

Other assurance services	**-**	-
Total remuneration for audit and other assurance services	**-**	110,700
(ii) Taxation services		
Total remuneration for taxation services	**-**	-
(iii) Other services		
Other	**-**	-
Total remuneration of non-BDO Audit (WA) Pty Ltd audit firms	**-**	110,700
Total auditors' remuneration	**35,309**	110,700

24 Contingencies

No contingencies exist at 31 December 2011.

25 Commitments

(a) Lease commitments

(i) Non-cancellable operating leases

The group leases offices under a non-cancellable operating lease expiring in four 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 in

	2011	2010
	$	$
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	**127,680**	103,719
Later than one year but not later than five years	**383,040**	7,959
	510,720	111,678

(ii) Cancellable operating leases

The group leases two vehicles under cancellable operating leases. No termination period applies to the leases.

	2011	2010
	$	$
Commitments in relation to cancellable operating leases contracted for at the reporting date but not recognised as liabilities payable:		
Within one year	**20,940**	20,940
Later than one year but not later than five years	**34,025**	54,965
	54,965	75,905

(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 is six Opcon Powerboxes on order, with outstanding payments on these of AU$3,223,000. There is no commitment to purchase these Opcon Powerboxes but any progress payments will be fortified.

(c) Bank Guarantee

Pursuant to the lease agreement for Ground floor 10 Ord Street West Perth which requires a bank guarantee resulting in $55,000 being on deposit with Bankwest

26 Related party transactions

During the year ended 31 December 2011, a new contract was entered into with related parties. This contract was an interest free loan to purchase employee shares under the employee share plan as approved by shareholders 1 December 2009.

Mr Campbell was issued with shares worth $200,000 based on an agreed price of $0.05, which were issued under employee share plan and unvested at balance date as loan still outstanding.

Mr Hasselström's director fees were outstanding at year-end and therefore an amount payable of $50,004 is due at 31 December 2011.

27 Subsidiaries and transactions with non-controlling interests

(a) Significant investments in subsidiaries

During the year ended 31 December 2011

Name of entity	Country of incorporation	Class of shares	Equity holding**	
			2011	2010
			%	%
Jamalcom Pty Ltd	Australia	Ordinary	100	100
Letharji Pty Ltd	Australia	Ordinary	100	100
Cogen Power Pty Ltd	Australia	Ordinary	100	100

28 Events occurring after the reporting period

No reportable events occurred post 31 December 2011.

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

	2011	2010
	$	$
Loss for the period	**(1,986,473)**	(9,709,404)
Finance income	**(9,724)**	(74,274)

Depreciation and amortisation	**1,059,577**	975,469
Share-based payment transactions	**45,411**	583,500
Change in other receivables	**-**	7,610
Change in prepayments	**(124,069)**	(250,103)
Change in trade and other payables	**210,098**	1,723,655
Change in employee provision	**(6,650)**	58,800
Change in provisions	**(1,125,000)**	
Proceeds for share capital received in advance	**-**	1,500,000
R&D Tax concession offset	**(389,318)**	(150,086)
Net cash outflow from operating activities	**(2,326,148)**	(5,334,833)

30 Earnings per share

	2011	2010
	$	$
(a) Basic earnings per share		
From continuing operations attributable to the ordinary equity holders of the company	**(0.003)**	(0.016)
Total basic earnings per share	**(0.003)**	(0.016)

The calculation of basic earnings per share at 31 December 2011 was based on the loss attributable to ordinary shareholders of $1,986,473 (2010: $9,709,404) and a weighted average number of ordinary shares outstanding of 760,169,575 (2010: 618,440,916).

31 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 December 1 2009.

Under the scheme, invitations to participate in the plan are given to employees as determined by the board based on seniority, length of service, record of employment and potential contribution to the growth and profitability of the company. The market value of the shares issued under the scheme, measured as the weighted average price at which the company's shares are traded on the ASX for the 5 days including the date of grant.

Terms of the loan for the purchase of shares under the employee share scheme shall be determined by the board on issue of the under-lying shares.

	2011	2010
Number of shares issued under the plan to participate employees on 23 February 2011	**10,000,000**	-

Participants were issued with shares worth $198,000 based on a weighted average price of $0.033 and a director was issued with shares worth $200,000 based on a weighted average price of $0.05 as noted in the remuneration report.

(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:

	2011	2010
	$	$
Effective put option included in employee share scheme	**45,411**	-

32 Financial instruments

Credit risk

The carrying amount of the Group's financial assets represents the maximum credit exposure. The credit risk will result from a decrease in interest rates reducing interest earned. The Group's maximum exposure to credit risk at the reporting date was:

		Carrying amount	
	Note	**2011**	2010
Loans and receivables – current	*11*	**165,500**	47,585
Loans and receivables – non current		**-**	-
Cash and cash equivalents	*10*	**327,356**	484,527
		492,856	532,112

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.

On 17 December 2010, shareholders approved a bond facility with amendments to this agreement approved by shareholders on 23 January 2012, totalling $6,250,000. Under this facility a remaining $5,000,000 is available to drawdown. These funds will be used to make further progress payments on Opcon Powerboxes and replace working capital previously used for making Opcon Powerbox payments. This facility underpins the Group and provide the necessary liquidity to achieve the company's short to medium term goals.

Currency risk

The Group, has a hedging policy in place and uses Travelex to provide advice and solutions for the management of the Company'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 it's trade receivables and trade payables denominated in a foreign currency.

Interest rate risk

The Group exposure to interest rates relate primarily to cash and cash equivalents. As at the date of these accounts the Group has no financial liabilities subject to interest rate movements. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of cash and cash equivalents mentioned above. Sensitivity to interest rate risk is considered immaterial.

Market risk

The group operate internationally and are 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.

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

	2011	2010
	$	$
Trade payables - SEK	**2,044,409**	1,787,240
Trade payables - EUR	**113,630**	-

For the year ended 31 December 2011, there were no foreign currency receivables or borrowings.

Fair values

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

Capital management

The Board's policy is to maintain a strong 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 are subject to externally imposed capital requirements.

33 Parent entity financial information

	2011	2010
Balance sheet	**$**	$
Current assets	**489,239**	527,927
Total assets	**12,115,865**	9,890,320
Current liabilities	**975,244**	312,993
Total liabilities	**1,867,208**	312,993
Shareholders' equity		
Issued Capital	**50,126,671**	47,760,408
Reserves	**5,594,249**	5,015,238
Retained earnings	**(45,472,263)**	(43 198,317)
Loss for the year	**(2,273,946)**	(7,109,072)
Total comprehensive loss	**(2,273,946)**	(7,109,072)

No specific commitments and contingent liabilities exist in the parent entity.

Enerji Limited

Declaration of 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 and the Corporations Regulations 2001; and
   (b) give a true and fair view of the consolidated entity's financial position as at 31 December 2011 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:

G D Pennefather
Director

Perth
30th March 2012.

Tel: +8 6382 4600
Fax: +8 6382 4601
www.bdo.com.au

38 Station Street
Subiaco, WA 6008
PO Box 700 West Perth WA 6872
Australia

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 2011, the consolidated statement of 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 2(a), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

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

Opinion

In our opinion:

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

  (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 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 2(a).

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 2(f) in the financial statements, where in order for the consolidated entity to continue to make installments on further Powerboxes and fund working capital, the consolidated entity will be required to raise equity or secure debt funding. If the consolidated entity is unable to obtain additional funding it may indicate the existence of a material uncertainty which may cast significant doubt on the consolidated entity's ability to continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business at the values stated in these financial statements.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 31 December 2011. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Enerji Limited for the year ended 31 December 2011 complies with section 300A of the *Corporations Act 2001*.

BDO Audit (WA) Pty Ltd

BDO

BM Veigh

Brad McVeigh
Director

Perth, Western Australia
Dated this 30th day of March 2012

ASX additional information as at 30 March 2012

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

Securities Exchange

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

Other information

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

ORDINARY SHARES

Twenty largest shareholders

Name	Number of ordinary shares held	Percentage of capital held
Hawera Pty Ltd	64,390,147	7.33%
Boxpower AB	44,500,000	5.07%
HSBC Custody Nominees (Australia) Limited	36,948,305	4.21%
Gabrielsson Invest AB	25,981,482	2.96%
Baru Resources Limited	20,833,334	2.37%
Frollo Enterprises Limited	20,000,000	2.28%
E C Dawson Super Pty Ltd	20,000,000	2.28%
Gabrielsson Invest AB	18,518,518	2.11%
Buelow Nominees Pty Ltd	14,300,000	1.63%
Archenland Pty Ltd	14,000,000	1.59%
J & Tw Dekker Pty Ltd	10,000,000	1.14%
Mr Greg Pennefather	8,766,333	1.00%
Mr Ti Jiang	8,097,699	0.92%
Bell Potter Nominees Ltd	7,499,000	0.85%
Mr Glenn Raymond Skender	7,350,000	0.84%
Suburban Holdings Pty Ltd	7,348,331	0.84%
Mr Shane Robert Mcmillan	7,000,000	0.80%
New Horison Homes (WA) Pty Ltd	6,800,000	0.77%
Dawesville Nominees Pty Ltd	6,500,000	0.74%
Associated Metal Craft Pty Ltd	6,400,000	0.73%
Miss Kylie Leslie Martin	6,000,000	0.68%
	361,233,149	41.1%

Substantial shareholders

Nil

Distribution of equity security holders	Holders
1 - 1,000	236
1,001 - 5,000	141
5,001 - 10,000	112
10,000 - 100,000	668
100,000 and over	665
	1,822

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

Voting rights

On a show of hands every person present who is a member or a proxy, attorney or representative of a member has one vote and upon a poll every person present who is a member or a proxy, attorney or representative of a member shall have one vote for each share held.

$0.20 OPTIONS EXPIRING 31 DECEMBER 2016

Twenty largest option holders

Name	Number of options held	Percentage of total held
Hawera Pty Ltd	6,439,015	9.95%
Opcon Energy AB	4,450,000	6.87%
Gabrielsson Invest AB	4,450,000	6.87%
Amarilo Investments Pty Ltd	3,001,000	4.64%
Mr Noel David McEvoy & Mrs Shelley Dawn McEvoy	2,212,459	3.42%
Equity Trustees Limited	2,017,750	3.12%
Frollo Enterprises Limited	2,000,000	3.09%
Dark Dragon Holdings Pty Ltd	1,700,000	2.63%
Acru Pty Ltd	1,571,909	2.43%
Jamalexal Pty Ltd	1,500,000	2.32%
Westedge Investments Pty Ltd	1,427,000	2.20%
Mr John Lagana	1,300,000	2.01%
Australian Heritage Group Pty Ltd	1,000,000	1.54%
Landteck Pty Ltd	1,000,000	1.54%
Mr Gregory John Gibson	979,750	1.51%
Tarney Holdings Pty Ltd	889,505	1.37%
Mr Philip Alexander Karl Hoefer	830,146	1.28%
Mr Goran Suleski	756,875	1.17%
Mr Andrew Peter Fisher	720,000	1.11%
Dawesville Nominees Pty Ltd	650,000	1.00%
E C Dawson Super Pty Ltd	645,000	1.00%
Mr Thomas Patrick Toohey	590,000	0.91%
	40,130,409	62.0%

Substantial option holders

Nil

Distribution of equity security holders	Holders
1 - 1,000	526
1,001 - 5,000	392
5,001 - 10,000	188
10,000 - 100,000	271
100,000 and over	82
	1,459

Voting rights

There are no voting rights attached to the options.

$0.03 OPTIONS EXPIRING 30 JUNE 2015

Twenty largest option holders

Name	Number of options held	Percentage of total held
Hawera Pty Ltd	66,463,383	15.15%
Florella Holdings Pty Ltd	26,955,666	6.15%
Belloc Pty Limited	25,725,200	5.87%
Archenland Pty Ltd	23,150,000	5.28%
Baru Resources Limited	20,833,334	4.75%
Mrs Leanne Susan Vidovich	20,000,000	4.56%
LBT Corp Pty Ltd	13,913,800	3.17%
Bell Potter Nominees Ltd	9,562,500	2.18%
E C Dawson Super Pty Ltd	9,316,667	2.12%
Dawesville Nominees Pty Ltd	8,666,667	1.98%
Gabrielsson Invest AB	8,660,494	1.97%
Mr Peter Gebhardt & Mrs Carlene Gebhardt	7,000,000	1.60%
Mr Andrew Peter Fisher	6,000,000	1.37%
Mrs Loris Joyce Fisher & Mr Peter John Fisher	5,877,778	1.34%
Super Structure Services Pty Ltd	5,811,661	1.33%
Buelow Nominees Pty Ltd	5,150,000	1.17%
Castle Bailey Pty Ltd	5,000,000	1.14%
Dawesville Nominees Pty Ltd	5,000,000	1.14%
BBY Nominees Limited	5,000,000	1.14%
Mr Peter Wassell	4,833,334	1.10%
Suburban Holdings Pty Ltd	4,692,592	1.07%
The Brand Connection Pty Ltd	4,069,781	0.93%
	291,682,857	66.5%

Substantial shareholders

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

Shareholder	Number
Hawera Pty Ltd	66,463,383

Distribution of equity security holders	Holders
1 - 1,000	26
1,001 - 5,000	44
5,001 - 10,000	36
10,000 - 100,000	145
100,000 and over	202
	453

Voting rights

There are no voting rights attached to the options.