Enerji Limited

ABN 62 009 423 189

Annual Report
31 December 2012

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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 28th May 2013**
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 2012

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 2012.

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 clean energy business. It commenced construction of its first waste heat to power system (WHPS) at Carnarvon in Western Australia's Gascoyne region. This project is progressing under the entity's power purchase agreement with the Western Australian government owned regional power utility, Horizon Power. Construction of this WHPS is well advanced and is scheduled for commissioning early in the second calendar quarter of 2013.

In November, the company extended its memorandum of understanding with Energy Developments. This is part of a concentrated sales and business development effort that has resulted in deep engagement with several potential customers. These engagements have led to some potential customers paying the company's personnel to conduct site visits and the resultant feasibility reports and proposals.

In March 2013 the company secured a loan facility, which allows the drawdown of funds against 80% of the 2012 and 2013 R&D Tax Offset refunds the Company, will receive. The facility is repaid upon receipt of the refunds from the ATO.

Review of consolidated financial condition

The consolidated entity recorded an operating loss after income tax of $7,316,793 (2011: $1,986,473 loss). The loss including the following items of significance:

- amortisation of distribution right acquired ($1,012,169)
- impairment of assets ($1,922,000)

The net assets of the consolidated entity were $7,394,543 (2011: $7,940,359).
As at 31 December 2012 the Group had cash available of $246,471.

Cash From Operations

The net cash outflow from operating activities of $2,177,258 and net cash outflow from investing activities of $1,881,810, pre-dominantly being payments for the Carnarvon project, was funded by capital raisings of $3,354,852 and short term borrowings of $850,000. The cash balance at year end was $246,471.

Corporate Structure

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

Capital Structure

As at the date of this report the Company had 1,607,287,165 fully paid ordinary shares, 64,737,499 20c options over ordinary shares and 805,041,161 3c options over ordinary shares. The options have an expiry date of 31 December 2016 and 30 June 2015 respectively.

Significant changes in the state of affairs

Contributed equity increased by $6,279,009 (from $50,126,673 to $56,405,682) 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 converted 100 convertible bonds during the year and subsequently cancelled the bond facility as of July 2012, see note 18.

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 2013 financial year will be the first year with revenues with continued focus on:

- Acquisition of additional customers;
- Commissioning of the Carnarvon town site project and subsequent customer projects based on the Opcon Powerbox;
- 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 three 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 three other public companies: 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 Alliance (a private infrastructure group) and chairman of the Princess Margaret Hospital Foundation.

Former directorships in last 3 years
Austal Ltd

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 three 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
36,083,955 ordinary shares in Enerji Limited
2,169,502 options in Enerji Limited

R Hasslestöm. Non-executive director.

Experience and expertise

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

Other current directorships

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

Former directorships in last 3 years

None.

Special responsibilities

None.

Interests in shares and options

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

Company Secretary

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

Meetings of directors

	Full meetings of directors	
	A	B
I G Campbell	7	7
G D Pennefather	7	7
R Hasselström	5	7

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	805,041,161
31 December 2016	$0.20	64,737,499

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
201	$0.20
3,337	$0.03

Remuneration report - Audited

This remuneration report 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.

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. The board through a process that considers individual and company achievement reviews compensation levels annually.

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. The shareholders in general meetings approve all securities issues to key management and executive directors. This is the only link between remuneration and shareholder wealth.

There is only a 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.

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 2012

	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	120,000	-	9,000	19,493	148,493
R Hasselström	50,004	-	-	-	50,004
Sub-total non-executive directors	**170,004**	**-**	**9,000**	**19,493**	**198,497**
Executive directors					
G Pennefather	290,026	9,435	26,102	-	325,563
Other key management personnel					
G Reid [2]	158,315	-	14,248	-	172,563
P Wassell	190,182	-	18,191	13,186	221,559
Total key management personnel compensation	**808,527**	**9,435**	**67,541**	**32,679**	**918,182**

[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] 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 2011

	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	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.

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	
	2012	**2011**	**2012**	**2011**	**2012**	**2011**
Executive directors of Enerji Limited						
G Pennefather	**100%**	100%	**-**	-	**-**	-
Other key management personnel of the group						
G Reid	**100%**	100%	**-**	-	**-**	-
P Wassell	**100%**	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	325,563	12 months base salary

[1] Base salary quoted are for the year ended 31 December 2012; 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.

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.

Peter Wassell, who is a full time employee, is employed under an employment contract, there is no specific term under the agreement. Mr Wassell 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.

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.

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 $12,075 to insure the directors and secretaries of the company and its Australian-based controlled entities.

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

Environmental regulation

The Group is subject to significant environmental regulation in respect of 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 28th March 2013

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

28 March 2013

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 2012, 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 year.

Brad McVeigh
Director

BDO Audit (WA) Pty Ltd
Perth, Western Australia

Enerji Limited

Consolidated statement of comprehensive income

For the year ended 31 December 2012

	Notes	2012	2011
Revenue from continuing operations			
Other Income	7	**26,321**	18,735
Employment benefits expense		**(1,274,597)**	(684,676)
Impairment of assets		**(1,922,000)**	-
Directors payments		**(252,997)**	(512,232)
Share based payments	31b	**(2,001,714)**	(45,411)
Consulting and professional costs		**(360,961)**	(824,785)
Depreciation and amortisation	8	**(1,212,454)**	(1,059,577)
Other expenses		**(677,754)**	(385,802)
Finance income		**7,243**	9,724
Finance costs		**(92,756)**	(2,069)
Loss before income tax		**(7,761,669)**	(3,669,050)
Income tax benefit	9	**444,876**	1,682,577
Loss from continuing operations		**(7,316,793)**	(1,986,473)
Net Loss for the year		**(7,316,793)**	(1,986,473)
Other comprehensive loss for the year, net of tax		**-**	-
Total comprehensive loss for the year		**(7,316,793)**	(1,986,473)
Loss is attributable to:			
Owners of Enerji Limited		**(7,316,793)**	(1,986,473)
Total comprehensive loss for the year is attributable to:			
Owners of Enerji Limited		**(7,316,793)**	(1,986,473)

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	**($0.005)**	($0.003)
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	**($0.005)**	($0.003)
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 2012

	Notes	**2012**	2011
ASSETS			
Current assets			
Cash and cash equivalents	10	**246,471**	327,356
Prepayments and other receivables	11	**104,061**	5,807,059
Total current assets		**350,532**	6,134,415
Non-current assets			
Deferred tax assets	12	**-**	168,258
Prepayments and other receivables	11	**5,654,961**	-
Property, plant and equipment	13	**3,766,161**	2,948,927
Intangible assets	14	**2,018,803**	3,030,972
Total non-current assets		**11,439,925**	6,148,157
Total assets		**11,790,457**	12,282,572
LIABILITIES			
Current Liabilities			
Trade and other payables	15	**4,186,230**	3,009,800
Loans and borrowings	16	**105,000**	-
Provisions	17	**104,684**	65,450
Total current liabilities		**4,395,914**	3,075,250
Non-current Liabilities			
Loans and borrowings	18	**-**	891,964
Deferred tax liabilities	19	**-**	374,999
Total non-current liabilities		**-**	1,266,963
Total liabilities		**4,395,914**	4,342,213
Net assets		**7,394,543**	7,940,359
EQUITY			
Contributed equity	20	**56,405,682**	50,126,673
Reserves	21	**6,086,217**	5,594,249
Accumulated losses		**(55,097,356)**	(47,780,563)
Capital and reserves attributable to owners of Enerji Limited		**7,394,543**	7,940,359
Total equity		**7,394,543**	7,940,359

The above Consolidated 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 2012

	Notes	Share capital	Reserves	Accumulated losses	Total equity
		Attributable to owners of Enerji Limited			
At 1 January 2011		**47,760,410**	**5,015,238**	**(45,794,090)**	**6,981,558**
Total comprehensive loss for the year					
Loss for the year		-	-	(1,986,473)	(1,986,473)
Total comprehensive loss 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	2,041,099	459,237	-	2,500,336
Equity-based payment transaction	20	117,664	74,363	-	192,027
Employee shares scheme		-	45,411	-	45,411
Conversion of convertible notes	20	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**
At 1 January 2012		**50,126,673**	**5,594,249**	**(47,780,563)**	**7,940,359**
Total comprehensive loss for the year					
Loss for the year		-	-	(7,316,793)	(7,316,793)
Total comprehensive loss for the period		-	-	(7,316,793)	(7,316,793)
Transactions with owners in their capacity as owners					
Contribution of equity, net of transaction costs	20	3,354,852	-	-	3,354,852
Equity-based payment transaction – expenses		1,575,016	460,744	-	2,035,760
Equity-based payment transaction – loan repayments		349,000	-	-	349,000
Employee shares scheme		-	31,224	-	31,224
Conversion of convertible notes	20	1,000,000	-	-	1,000,000
Share options exercised		141	-	-	141
		6,279,009	491,968	-	6,770,977
At 31 December 2012		**56,405,682**	**6,086,217**	**(55,097,356)**	**7,394,543**

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

Enerji Limited

Consolidated statement of cash flows

For the year ended 31 December 2012

	Note	2012	2011
Cash flows from operating activities			
Payments to suppliers and employees (inclusive of goods and services tax)		**(1,560,964)**	(2,713,397)
R&D tax refund		**238,135**	389,318
Interest paid		**(92,756)**	(2,069)
Net cash outflow from operating activities	29	**(1,415,585)**	(2,326,148)
Cash flows from investing activities			
Interest received		**7,243**	9,724
Payments for property, plant and equipment		**(1,889,169)**	(1,057,459)
Prepayments for acquisition of property, plant and equipment		**-**	(669,651)
Net cash outflow from investing activities		**(1,881,926)**	(1,717,386)
Cash flows from financing activities			
Proceeds from issue of shares and other equity securities		**3,501,250**	2,724,437
Proceeds from issue of convertible notes		**1,000,000**	1,250,000
Proceeds from borrowings		**105,000**	-
Repayment of borrowings		**(1,000,000)**	-
Proceeds from exercise of share options		**140**	-
Payment of transaction costs		**(389,764)**	(88,074)
Net cash inflow from financing activities		**3,216,626**	3,886,363
Net decrease in cash and cash equivalents		**(80,885)**	(157,171)
Cash and cash equivalents at the beginning of the year		**327,356**	484,527
Cash and cash equivalents at end of the year		**246,471**	327,356

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

Notes to the financial statements

31 December 2012

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 2012 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.

b) In the 2012 financial statements, the Group made a significant judgement about the impairment of property, plant and equipment, namely the Carnarvon Power Station WHPS Project.

The Group follows the guidance of AASB 116 Property, Plant and Equipment to determine when an asset is impaired. The determination requires significant judgement. In making this judgement, the Group evaluates, among other factors, the replacement value of the asset against the cost. Note 13 Property, Plant and Equipment – The replacement value of the project was based on it's replacement value.

(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 2012 of $7,316,793 (2011: $1,986,473) and experienced net cash outflows from operating activities of $1,415,585 (2011: $2,326,148).

In order to continue to make instalments on further Powerboxes and fund working capital, the Group will 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.

(d) Share capital

Ordinary shares

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

(e) Cash and cash equivalents

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

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

(f) Property, plant and equipment

(i) Recognition and measurement

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

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

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

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

(ii) Subsequent costs

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

(iii) Depreciation

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

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

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

- Plant and equipment 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.

(g) Leases

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

(h) Intangible assets

(i) Goodwill

Goodwill is measured at cost less accumulated impairment losses.

(ii) Research and development

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

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

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

(iii) Amortisation

Amortisation is recognised in the profit and loss on a straight-line basis over the estimated useful lives of the intangible assets from the date they are available for use unless such lives are indefinite. Goodwill and intangible assets with an indefinite useful life are not amortised but 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 were 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 if an impairment in value arises, the intangible asset is written down.

(i) 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.

(j) Impairment

(i) Financial assets (including receivables)

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

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

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

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

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

(ii) Non-financial assets

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

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

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

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

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

(k) Employee benefits

(i) Termination benefits

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

(ii) Employee leave benefits

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

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

(iii) Share-based payment transactions

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

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

(l) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation 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.

(m) Finance income and finance costs

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

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

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

(n) Income tax

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

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

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

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

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

(o) Goods and services tax

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

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

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

(p) Earnings per share

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

(q) Segment reporting

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.

(r) 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 2011)	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)	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 2013
AASB 119 (reissued September 2011)	Employee Benefits	Main changes include: • Elimination of the 'corridor' approach for deferring gains/losses for defined benefit plans • Actuarial gains/losses on remeasuring the defined benefit plan obligation/asset to be recognised in OCI rather than in profit or loss, and cannot be reclassified in subsequent periods • Subtle amendments to timing for recognition of liabilities for termination benefits • Employee benefits expected to be settled (as opposed to due to settled under current standard) wholly within 12 months after the end of the reporting period are short-term benefits, and therefore	Annual reporting periods beginning on or after 1 January 2013	The entity currently calculates its liability for annual leave employee benefits on the basis that it is due to be settled within 12 months of the end of the reporting period because employees are entitled to use this leave at any time. The amendments to AASB 119 require that such liabilities be calculated on	1 January 2013

Reference	Title	Summary	Application date of standard	Impact on consolidated financial report	Application date for Group
		not discounted when calculating leave liabilities. Annual leave not expected to be used wholly within 12 months of end of reporting period will in future be discounted when calculating leave liability.		the basis of when the leave is expected to be taken, i.e. expected settlement. When this standard is first adopted for 31 December 2013 year end, annual leave liabilities will be recalculated on 1 January 2012 as long-term benefits because they are not expected to be settled wholly within 12 months after the end of the reporting period. This will result in a reduction of the annual leave liabilities recognised on 1 January 2012, and a corresponding increase in retained earnings at that date.1	
AASB 12 (issued August 2012)	Disclosure of Interests in Other Entities	Combines existing disclosures from AASB 127 *Consolidated and Separate Financial Statements*, 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.	Annual reporting periods commencing on or after 1 January 2013	As this is a disclosure standard only, 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.	1 January 2013

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 2012 is as follows:

2012	Australia
Total segment revenue	5,000
Revenue from external customers	5,000
Net loss before tax	7,316,315
Adjusted EBIT loss	4,741,987
Total segment assets	11,790,457
Total segment liabilities	4,395,914

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	-
Net loss before tax	3,669,050
Adjusted EBIT loss	2,635,337
Total segment assets	12,114,314
Total segment liabilities	4,342,213

(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:

	2012	2011
Adjusted EBIT	**(4,741,987)**	(2,635,337)
Amortisation of distribution rights	**(1,012,169)**	(1,041,368)
Impairment of assets	**(1,922,000)**	-
Interest revenue	**7,243**	9,724

Interest expenses	**(92,756)**	(2,069)
Loss before tax from continuing operations	**(7,761,669)**	(3,669,050)

(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:

	2012	2011
Segment assets	**11,790,457**	12,114,314
Unallocated:		
Deferred tax assets	**-**	168,258
Total assets as per statement of financial position	**11,790,457**	12,282,572

(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:

	2012	2011
Segment liabilities	**4,395,914**	4,342,213
Unallocated:		
Deferred tax liabilities	**-**	-
Total liabilities as per statement of financial position	**4,395,914**	4,342,213

7 Other income

	2012	2011
Profit on disposal of assets	**17,443**	-
Realised foreign exchange gain (net)	**493**	(39,297)
Unrealised foreign exchange loss (net)	**(71,769)**	58,032
Other Income	**8,385**	-
	(45,448)	18,735

8 Expenses

Loss before income tax includes the following specific expenses:

	2012	2011
Depreciation		
Plant and equipment	**19,234**	18,209
Total depreciation	**19,234**	18,209
Amortisation		
Distribution rights	**1,012,169**	1,009,404
Borrowing costs	**181,051**	-

Total amortisation expense	**1,193,220**	1,009,404

Impairment of assets		
Plant and equipment	**1,922,000**	-
Total impairment	**1,922,000**	-

On review of the future value of pilot plant at Carnarvon Power Station it was determined to write-down the asset value.

Rental expenses relating to operating leases	**23,668**	20,941
Defined contribution superannuation expense	**109,227**	86,563

9 Income tax expense

(a) Income tax expense

Deferred tax credit arising from temporary differences	**2012**	2011
Write-back of tax effect on tax treatment of impairment	**(206,741)**	(168,259)
Write-off of tax effect on tax treatment of impairment	**-**	(1,125,000)
Receipt of a R&D tax rebate	**(238,135)**	(389,318)
Total income tax benefit in loss	**(444,876)**	(1,682,577)
Attributable to:		
Continuing operations	**(444,876)**	(1,682,577)
	(444,876)	(1,682,577)

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 2012 year, total eligible R&D expenditure was $635,027, total section 73B of ITAA 1936 notional 125% R&D tax concession deduction was $793,784 therefore R&D tax offset refund entitlement @ 30% was $238,135.

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

	2012	2011
Loss from continuing operations before income tax expense	**7,761,669**	3,669,050
Tax at the Australian tax rate of 30% (2011 – 30%)	**(2,328,501)**	(1,100,715)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
R&D tax rebate	**(238,135)**	-
Non-deductible expenses	**(20,195)**	(739,515)
Deferred tax assets not brought to account	**2,141,955**	157,653
Income tax benefit	**(444,876)**	(1,682,577)

10 Current assets – Cash and cash equivalents

	2012	2011
Cash at bank and in hand	**246,471**	327,356

	2012	2011
	246,471	327,356

11 Current assets - Prepayments and other receivables

Current	**2012**	2011
Prepayments – Opcon Powerboxes	**-**	5,641,559
Other receivables	**104,061**	165,500
	104,061	5,807,059
Non-current		
Prepayments – Opcon Powerboxes	**5,491,767**	-
Other receivables	**163,194**	-
	5,654,961	-

During the year to 31 December 2012, no further prepayments have been made to Opcon AB (December 2011: $1,405,287) for 3rd Generation Powerboxes ordered.

No receivables have been impaired during the period.

12 Non-current assets – Deferred tax assets

	2012	2011
The balance comprises temporary differences attributable to (at 30%):		
Amortisation of distribution rights	**303,651**	302,821
s40 expenditure – capital raising costs	**(110,671)**	(78,040)
Audit fees	**(2,870)**	(8,838)
Website expenditure	**(79)**	(112)
Unrealised foreign exchange gains	**21,531**	(17,410)
Employee leave provisions	**11,770**	1,995
Prepayments	**39,699**	(34,235)
Superannuation	**20,250**	2,077
Impairment of asset	**576,600**	-
Timing differences not recognised	**(859,881)**	-
Total deferred tax assets	**-**	168,258

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

	2012	2011
Timing differences	**2,866,270**	-
Carried forward tax losses	**8,877,330**	10,899,707
	11,743,600	10,899,707

13 Non-current assets - Property, plant and equipment

	Construction in progress	**Office furniture, fittings and equipment**	**Total**
At 1 January 2011			
Cost or fair value	165,563	123,365	288,928

Accumulated depreciation	-	(20,648)	(20,648)
Net book amount (see below)	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)
Closing net book amount	2,862,411	86,516	2,948,927
At 31 December 2011			
Cost or fair value	2,862,411	125,373	2,987,784
Accumulated depreciation	-	(38,857)	(38,857)
Net book amount	2,862,411	86,516	2,948,927
Year ended 31 December 2012			
Opening net book amount	2,862,411	86,516	2,948,927
Additions	2,751,641	6,827	2,758,468
Impairment charge	(1,922,000)	-	(1,922,000)
Depreciation charge	-	(19,234)	(19,234)
Balance at 31 December 2012	3,692,052	74,109	3,766,161
At 31 December 2012			
Cost or fair value	5,614,052	132,200	5,746,252
Accumulated depreciation	-	(58,091)	(58,091)
Impairment of assets	(1,922,000)	-	(1,922,000)
Net book amount	3,692,052	74,109	3,766,161

A review was undertaken of the fair value of the Carnarvon project. The result of this review was to impair the carrying value down to the replacement value of the project, resulting in an impairment amount of $1,922,000 and a carrying value of $3,692,052.

14 Non-current assets - Intangible assets

	Distribution rights
At 1 January 2011	
Cost	8,340,284
Impairment of asset - 2010	3,340,284
Accumulated 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

Year ended 31 December 2012

Opening net book amount	3,030,972
Amortisation charge	1,012,169
Closing net book amount	2,018,803

At 31 December 2012

Cost	8,340,284
Impairment of asset - 2010	3,340,284
Accumlated amortisation and impairment	2,981,197
Net book amount	2,018,803

Amortisation charge

The amortisation charge is recognized in the following item in the consolidated statement of profit and loss and other comprehensive income:

	2012	2011
Depreciation and amortisation	**1,012,169**	1,009,404
	1,012,169	1,009,404

Intangible assets include distribution rights associated with the purchase of Jamalcom Pty Ltd with a carrying value of $2,018,803. The remaining amortisation period relating to the distribution rights is 2 years.

15 Current liabilities - Trade and other payables

	2012	**2011**
Trade payables - Opcon AB	**2,224,898**	1,996,059
Trade payables - other	**1,961,332**	1,013,741
	4,186,230	3,009,800

16 Current liabilities – Loans and borrowings

	2012	**2011**
Unsecured	**105,000**	-
	105,000	-

This short term unsecured loan is a 30 day facility with interest payable monthly with ability to rollover the agreement on mutually agreed basis.

17 Current liabilities - Provisions

	2012	**2011**
Employee	**104,684**	65,450
	104,684	65,450

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.

	2012	2011
Leave obligations expected to be settled after 12 months	73,279	45,652

18 Non-current liabilities - Borrowings

Unsecured	2012	2011
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 facility was cancelled in July on conversion of all outstanding bonds.

On the 7th of July 2012, Fortensa converted 25 bonds into ordinary shares in the parent entity. Based on a conversion price of $0.013, 11,538,462 ordinary shares were issued.

On the 5th of July 2012, Fortensa converted 25 bonds into ordinary shares in the parent entity. Based on a conversion price of $0.013, 11,538,462 ordinary shares were issued.

19 Non-current liabilities - Provisions

	2012	2011
Income tax	-	374,999
	-	374,999

20 Contributed equity

	Notes	**2012 Shares**	2011 Shares	**2012 $**	2011 $
(a) Share Capital					
Ordinary shares					
Fully paid		**1,499,323,980**	760,169,575	**56,405,682**	50,126,673
Options		**Options**	Options		
$0.20 Expiry December 2016		**64,737,499**	64,737,700	**-**	-
$0.03 Expiry June 2015		**761,073,993**	330,210,211	**-**	-
Total contributed equity				**56,405,682**	50,126,673

(b) Movements in ordinary share capital:

Date	**Details**	Notes	**Number of**	**Issue**	**$**

		shares	price	
1 January 2011	Opening Balance	618,440,916		47,760,410
22 March 2011	Conversion of bonds	11,870,845	$0.017	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	775,506
31 December 2011	Balance	760,169,575		50,126,673
25 January 2012	Services rendered	17,076,214	$0.013	227,047
13 February 2012	Entitlements issue	2,130,746	$0.018	38,404
14 February 2012	Services rendered	6,400,000	$0.012	80,000
20 February 2012	Conversion of bonds	47,006,579	$0.012	550,000
29 February 2012	Placement	47,333,333	$0.012	568,000
29 February 2012	Services rendered	1,900,000	$0.014	26,600
7 March 2012	Entitlements issue	280,364	$0.018	4,963
22 March 2012	Placement	11,500,000	$0.012	140,000
5 April 2012	Services rendered	2,597,765	$0.010	25,978
29 May 2012	Conversion of options	3,538	$0.040	140
9 May 2012	Placement	53,250,000	$0.010	532,500
30 May 2012	Services rendered	30,151,125	$0.010	310,511
20 June 2012	Placement	58,673,077	$0.013	762,750
25 June 2012	Loan repayment	13,384,615	$0.013	174,000
25 June 2012	Services rendered	23,000,000	$0.013	299,000
26 June 2012	Conversion of bonds	11,538,462	$0.013	150,000
30 June 2012	Equity adjustment for share-based payment	-		(155,741)
5 July 2012	Conversion of bonds	11,538,462	$0.013	150,000
10 July 2012	Placement	2,700,000	$0.013	35,100
10 July 2012	Conversion of bonds	11,538,462	$0.013	150,000
25 July 2012	Services rendered	25,961,538	$0.010	259,815
8 August 2012	Loan repayment	25,000,000	$0.007	175,000
8 August 2012	Services rendered	10,000,000	$0.008	77,000
21 August 2012	Services rendered	12,800,000	$0.006	71,800
1 September 2012	Services rendered	13,250,000	$0.013	172,250
9 October 2012	Services rendered	31,000,000	$0.007	217,000
25 October 2012	Placement	94,800,000	$0.008	756,400
9 November 2012	Services rendered	46,590,125	$0.008	372,121
20 December 2012	Placement	117,750,000	$0.006	706,500
31 December 2012	Equity adjustment for share-based payment	-		(208,365)
31 December 2012	Capital raising costs	-		(389,764)
		1,489,323,980		56,405,682

Ordinary shares

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

Capital Management

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

Management's focus is to provide consistent returns to it's equity shareholders and utilise borrowings when available.

Dividends

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

21 Reserves and accumulated losses

	Notes	2012 $	2011 $
Share based reserves		**3,470,000**	3,470,000
Options based reserves		**2,616,217**	2,124,249
		6,086,217	5,594,249

Movements:

(i) Movements in $0.20 options expiry December 2016:

Date	Details	Notes	Number of options	Issue price	$
Opening balance			64,737,700		380,660
31 December 2011	Balance		64,737,700		380,660
29 May 2012	Conversion of options		(201)		-
			64,737,499		380,660

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

Date	Details	Notes	Number of options	Issue price	$
1 January 2011	Opening 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		-
31 December 2011	Balance		330,210,211		533,600

25 January 2012	Services rendered	38,955,666	$0.003	120,467
25 January 2012	Services rendered	4,800,000		-
13 February 2012	Entitlements issue	1,065,389		-
14 February 2012	Services rendered	3,200,000		-
29 February 2012	Placement	47,333,333		-
29 February 2012	Services rendered	13,000,000	$0.003	39,000
7 March 2012	Entitlements issue	140,182		-
22 March 2012	Placement	11,500,000		-
5 April 2012	Services rendered	30,000,000	$0.002	60,000
29 May 2012	Conversion of options	(3,337)		-
9 May 2012	Placement	26,625,000		-
30 May 2012	Services rendered	28,725,562		-
20 June 2012	Placement	29,336,538		-
25 June 2012	Loan repayment	9,192,308		-
25 June 2012	Services rendered	13,500,000		-
30 June 2012	Equity adjustment for share-based payment	-		132,836
10 July 2012	Placement	1,350,000		-
25 July 2012	Services rendered	3,173,077		-
8 August 2012	Services rendered	5,000,000		-
21 August 2012	Services rendered	6,400,000		-
9 October 2012	Services rendered	28,000,000		-
25 October 2012	Placement	47,400,000		-
9 November 2012	Services rendered	23,295,064		-
20 December 2012	Placement	58,875,000		-
31 December 2012	Equity adjustment for share-based payment	-		108,441
		761,073,993		994,344

	2012 $	2011 $
Share based payments		
Balance 1 January	**157,863**	83,500
Services rendered	**460,744**	74,363
Balance 31 December	**618,607**	157,863
Options embedded in employee share scheme		
Balance 1 January	**45,411**	-
Interest on loan from issue of 10,000,000 ordinary shares under employee share scheme	**31,224**	45,411
Balance 31 December	**76,635**	45,411
$0.03 options expiry June 2015		
Balance 1 January	**459,237**	-
Issue of options under entitlements issue	**-**	459,237
Balance 31 December	**459,237**	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	**47,780,563**	45,794,090
Net loss for the year	**7,316,793**	1,986,473
	55,097,356	47,780,563

22 Key management personnel disclosures

(a) Key management personnel compensation

	2012	2011
Short-term employee benefits	**817,962**	801,531
Post-employment benefits	**67,541**	63,367
Share based payments	**32,679**	29,019
Termination benefits	**-**	-
	918,182	893,917

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.

2012							
Name	**Balance at start of the year**	**Granted as compensation**	**Exercised**	**Other changes**	**Balance at the end of the year**	**Vested and exercisable**	**Unvest ed**
Directors of Enerji Limited							
I Campbell	-	-	-	-	-	-	-
G Pennefather	2,169,502	-	-	-	2,169,502	2,169,502	-
R Hasselström	4,000,000	-	-	-	4,000,000	4,000,000	
Other key management personnel of the group							
G Reid	-	-	-	-	-	-	-

P Wassell	4,833,334	-	-	-	4,833,334	4,833,334	-

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

(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.

2012							
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	54,248,118	-	-	18,117,463	36,130,655	36,130,655	-
R Hasselström	4,000,000	-	-	-	4,000,000	4,000,000	
Other key management personnel of the group							
G Reid	-	-	-	-	-	-	-
P Wassell	2,500,000	-	-	-	2,500,000	-	2,500,000[1]

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]

[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
2012	**332,500**	**-**	**32,679**	**332,500**	**2**
2011	-	-	29,019	332,500	2

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-recourse.

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:

	2012	2011
	$	$
(a) BDO Audit (WA) Pty Ltd		
(i) Audit and assurance services		
Audit and review of financial statements	**45,456**	35,309
Other assurance services	**-**	-
Total remuneration for audit and other assurance services	**45,456**	35,309
(ii) Taxation services		
Total remuneration for taxation services	**-**	-
(iii) Other services		
Attendance at AGM	**510**	-
Total remuneration of BDO Audit (WA) Pty Ltd	**45,966**	35,309
Total auditors' remuneration	**45,966**	35,309

24 Contingencies

No contingencies exist at 31 December 2012.

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

	2012	2011
	$	$
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	**148,488**	127,680
Later than one year but not later than five years	**445,464**	383,040
	593,952	510,720

(ii) Cancellable operating leases

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

	2012	2011
	$	$
Commitments in relation to cancellable operating leases contracted for at the reporting date but not recognised as liabilities payable:		
Within one year	**20,333**	20,940
Later than one year but not later than five years	**17,889**	34,025
	38,222	54,965

(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 Guarantees

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

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

26 Related party transactions

Mr Hasselström's director fees were outstanding at year-end and therefore an amount payable of $50,004 is due at 31 December 2012.

27 Subsidiaries and transactions with non-controlling interests

(a) Significant investments in subsidiaries

During the year ended 31 December 2012

Name of entity	Country of incorporation	Class of shares	Equity holding** 2012	2011
			%	%
Jamalcom Pty Ltd	Australia	Ordinary	100	100
Letharji Pty Ltd	Australia	Ordinary	100	100
Cogen Power Pty Ltd	Australia	Ordinary	100	100
Enerji GMRL SPV Pty Ltd	Australia	Ordinary	100	100

28 Events occurring after the reporting period

No reportable events occurred post 31 December 2012.

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

	2012	2011
	$	$
Loss for the period	**(7,316,793)**	(1,986,473)
Finance income	**(7,243)**	(9,724)
Depreciation and amortisation	**2,953,403**	1,059,577
Share-based payment transactions	**3,198,747**	45,411
Change in other receivables	**(255,323)**	-
Change in prepayments	**135,102**	(124,069)
Change in trade and other payables	**75,423**	210,098
Change in employee provision	**39,234**	(6,650)
Change in provisions	**-**	(1,125,000)
Proceeds for share capital received in advance	**-**	-
R&D Tax concession offset	**(238,135)**	(389,318)
Net cash outflow from operating activities	**(1,415,585)**	(2,326,148)

30 Earnings per share

	2012	2011
	$	$
(a) Basic loss per share		
From continuing operations attributable to the ordinary	**(0.005)**	(0.003)

equity holders of the Company		
Total basic loss per share	**(0.005)**	(0.003)

The calculation of basic loss per share at 31 December 2012 was based on the loss attributable to ordinary shareholders of $7,316,793 (2011: $1,986,473) and a weighted average number of ordinary shares outstanding of 1,499,323,980 (2011: 760,169,575).

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.

	2012	2011
Number of shares issued under the plan to participate employees	**-**	**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:

	2012	2011
	$	$
Expense payments	**1,970,490**	-
Effective put option included in employee share scheme	**31,224**	45,411
	2,001,714	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	2012	2011
Loans and receivables – current	11	**104,061**	165,500
Loans and receivables – non current		**163,194**	-
Cash and cash equivalents	10	**246,471**	327,356
		513,726	492,856

Liquidity risk
The Group has limited exposure to liquidity risk as the Group's main liabilities are trade and other payables.
All financial liabilities have contractual maturities of less than 6 months.
The Group is waiting on it's R&D Tax Offset refund of around $1,000,000. Projects will be funded through customer ownership and project finance with an agreement already in place for this.

Currency risk
The Group, has a hedging policy in place and uses Travelex to provide advice and solutions for the management of the Group's currency exposure.
At present, the Group has no foreign currency hedges in respect of forecast sales and purchases. The Group also has no hedges in place for 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:

	2012	2011
	$	$
Trade payables - SEK	**2,224,898**	2,044,409
Trade payables - EUR	**113,630**	113,630

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

Statement of financial position	2012 $	2011 $
Current assets	**250,611**	489,239
Total assets	**9,438,193**	12,115,865
Current liabilities	**2,043,650**	975,244
Total liabilities	**2,043,650**	1,867,208
Net Assets	**7,394,543**	10,248,657
Shareholders' equity		
Issued Capital	**56,405,680**	50,126,671
Reserves	**6,086,217**	5,594,249
Accumulated losses	**(55,097,354)**	(45,472,263)
	7,394,543	10,248,657
Loss for the year	**(9,625,095)**	(2,273,946)
Total comprehensive loss	**(9,625,095)**	(2,273,946)

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

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, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
   (b) give a true and fair view of the consolidated entity's financial position as at 31 December 2012 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
28th March 2013.

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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 2012, 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 2012 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 2(f) in the financial statements, where in order for the consolidated entity to continue to make instalments on further Power Boxes and to fund working capital, the consolidated entity will be required to raise equity or secure additional debt funding. If the consolidated entity is unable to obtain additional funding it may indicate the existence of a material uncertainty that may cast significant doubt about the company's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 31 December 2012. 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 2012 complies with section 300A of the *Corporations Act 2001*.

BDO Audit (WA) Pty Ltd

BDO

Brad McVeigh
Director

Perth, Western Australia
Dated this 28th day of March 2013

Corporate Governance

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

PRINCIPLES AND RECOMMENDATIONS		COMPLY (YES/NO)	EXPLANATION
1.	**Lay solid foundations for management and oversight**		
1.1	Companies should establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.	Yes	The Directors monitor the business affairs of the Company on behalf of Shareholders and have formally adopted a corporate governance policy that is designed to encourage Directors to focus their attention on accountability, risk management and ethical conduct. The Company's main corporate governance policies and practices are outlined below: <u>The Board of Directors</u> The Company's Board of Directors is responsible for corporate governance of the Company. The Board develops strategies for the Company, reviews strategic objectives and monitors performance against those objectives. The goals of the corporate governance processes are to: (a) maintain and increase Shareholder value; (b) ensure a prudential and ethical basis for the Company's conduct and activities; and (c) ensure compliance with the Company's legal and regulatory objectives. Consistent with these goals, the Board assumes the following responsibilities: (a) developing initiatives for profit and asset growth; (b) reviewing the corporate, commercial and financial performance of the Company on a regular basis; (c) acting on behalf of, and being accountable to, the Shareholders; and (d) identifying business risks and implementing actions to manage those risks and corporate systems to assure quality. The Company is committed to the circulation of relevant materials to Directors in a timely manner to facilitate Directors' participation in the Board discussions on a fully informed basis. <u>Composition of the Board</u> Election of Board members is substantially the province of the Shareholders in general meeting. However, subject thereto, the Company is committed to the following principles: (a) the Board is to comprise Directors with a blend of skills, experience and attributes appropriate for the Company and its business; and (b) the principal criterion for the appointment of new

			Directors is their ability to add value to the Company and its business. No formal nomination committee or procedures have been adopted for the identification, appointment and review of the Board membership, but an informal assessment process, facilitated by the Chairman in consultation with the Company's professional advisors, has been committed to by the Board. <u>Independent professional advice</u> The Directors may obtain independent professional advice on issues arising in the course of their duties. <u>Remuneration arrangements</u> The Board will decide the remuneration of an Executive Director, without the affected Executive Director participating in that decision-making process. The total cash remuneration of Non-Executive Directors is the subject of a Shareholder resolution in accordance with the Company's Constitution, the Corporations Act and the ASX Listing Rules, as applicable. The determination of Non-Executive Directors' remuneration within that maximum will be made by the Board having regard to the inputs and value to the Company of the respective contributions by each Non-Executive Director. The current limit, which may only be varied by Shareholders in general meeting, is an aggregate cash amount of $400,000 per annum. The Board may award additional remuneration to Non-Executive Directors called upon to perform extra services or make special exertions on behalf of the Company. <u>External audit</u> The Company in general meetings is responsible for the appointment of the external auditors of the Company, and the Board from time to time will review the scope, performance and fees of those external auditors. <u>Audit committee</u> The Company has established a separate constituted audit committee. <u>Identification and management of risk</u> The Board's collective experience will enable accurate identification of the principal risks that may affect the Company's business. Key operational risks and their management will be recurring items for deliberation at Board meetings. <u>Ethical standards</u> The Board is committed to the establishment and maintenance of appropriate ethical standards.
1.2	Companies should disclose the process for evaluating the performance of senior executives.	Yes	The Remuneration Committee reviews the remuneration policies applicable to all Directors and Executive Officers on an as needed basis and makes recommendations on remuneration packages and terms of employment to the

			Board. Remuneration packages, which consist of base salary, fringe benefits, incentive schemes (including performance related bonuses), superannuation, and entitlements upon retirement or termination, are reviewed with due regard to performance and other relevant factors.
1.3	Companies should provide the information indicated in the *Guide to reporting on Principle 1*.	Yes	The Company has not undertaken any performance evaluation of any senior executive in the reporting period ended 31 December 2011. The Company has not departed from Principles and Recommendations 1.1 and 1.2. The Company has adopted a Board Charter, which discloses the specific responsibilities of the Board and provides that the Board may delegate responsibility for the day-to-day operations and administration of the Company to the chief executive officer (if appointed). The Board Charter is contained in section 1 of the Company's Corporate Governance Manual. The company will continue to explain any departures from Principles and Recommendations 1.1 and 1.2 (if any) in it's future annual reports, including whether a performance evaluation for senior executives has taken place in the reporting period and whether it was in accordance with the process disclosed.
2.	**Structure the Board to add value**		
2.1	A majority of the Board should be independent directors.	Yes	The Board has three Directors comprising one managing executive director and two independent non-executive directors.
2.2	The chair should be an independent director.	Yes	The chairman is independent
2.3	The roles of the chair and Chief Executive Officer should not be exercised by the same individual.	Yes	The same person does not hold the roles of chief executive officer and chairman.
2.4	*The Board should establish a nomination committee.*	No	The Board has not established a nomination committee. The Board, as a whole, deals with areas that would normally fall within the Charge of the Nomination Committee. These include matters relating to the renewal of Board Members and Board Performance. The election of Board members is substantially the province of the shareholders in general meetings.
2.5	Companies should disclose the process for evaluating the performance of the Board, its committees and individual directors.	Yes	The Remuneration Committee has developed a formal process for performance evaluation of the Board. The Remuneration Committee reviews the remuneration policies applicable to all Directors and Executive Officers on an as needed basis and makes recommendations on remuneration packages and terms of employment to the Board. Remuneration packages, which consist of base salary, fringe benefits, incentive schemes (including performance related bonuses), superannuation, and entitlements upon retirement

			or termination, are reviewed with due regard to performance and other relevant factors.
2.6	Companies should provide the information indicated in the *Guide to reporting on Principle 2*.	Yes	A description of the skills and experience of each of the current Directors is included in the Annual Report and available on the Company's website at www.enerji.com.au. The Board Charter includes a statement that the Board may seek independent professional advice at the Company's expense. The Board has not established a nomination committee and therefore the Board carries out its functions. The Company will provide, as it has done so in this annual report, details of any new director, such as their skills, experience and expertise relevant to their position, together with an explanation of any departures from Corporate Governance Principles and Recommendations 2.1, 2.2, 2.3, 2.4 and 2.5 in the Corporate Governance Statement and it's future annual reports.
3	**Promote ethical and responsible decision-making**		
3.1	Companies should establish a code of conduct and disclose the code or a summary of the code as to: • the practices necessary to maintain confidence in the company's integrity; • the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; • the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	Yes	The Company is committed to Directors and employees maintaining high standards of integrity and ensuring that activities are in compliance with the letter and spirit of both the law and Company policies. Directors acquaint themselves with obligations imposed on them and the Company by the Corporations Act. They will also familiarise themselves with other documents prepared by the Company to meet corporate governance requirements: • the Employee Code of Conduct – sets out minimum standards of conduct and integrity to be observed by all employees and Directors; • the Corporate Governance Statement – advises Shareholders and ASX of the corporate governance practices put in place by the Board.
3.2	Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measureable objectives for achieving gender diversity and for the board to assess annually both the objectives and progress in achieving them.	Yes and No	The Board will and has conducted all Board appointment processes in a manner that promotes gender diversity, including establishing a structured approach for identifying a pool of candidates, using external experts where necessary. Due to the small scale of the Company's operations and the limited number of employees, the Company has not yet set a formal policy for achieving gender diversity. The Company will consider establishing such a policy as it develops.
3.3	*Companies should disclose in each annual report the measureable objectives for achieving set by the board in accordance with the diversity policy and progress in achieving them.*	No	Due to the small scale of the Company's operations and the limited number of employees, the Company has not yet set a formal policy for achieving gender diversity. The Company will consider establishing a formal policy as it's develops to address equal opportunities in the hiring, training and career

			advancement of directors, officers and employees.
3.4	*Companies should disclose in each annual report the proportion of women employees in the whole organization, women in senior executive positions and women on the board.*	Yes	The proportion of women across the organization at the date of this report: Women in the organisation – 2 being 25% Women in senior executive positions – nil Women on the Board – nil All appointments have previously and will continue to be conducted in a manner that promotes gender diversity, including establishing a structured approach for identifying a pool of candidates, using external experts where necessary.
3.5	Companies should provide the information indicated in the *Guide to reporting on Principle 3*.	Yes	As policies are developed the Board will include in the Annual Report: • Measurable objectives set by the Board; • Progress against the objectives; and • Continue to disclosure the proportion of women employees in the whole organization at all levels. The company will continue to explain any departures from Principles and Recommendations 3.1, 3.2, 3.3, 3.4 and 3.5 in the Corporate Governance Statement and it's future annual reports.
4	**Safeguard integrity in financial reporting**		
4.1	*The Board should establish an audit committee*	Yes	The board has established an Audit Committee consisting of Ian Campbell, Greg Pennefather (Chairperson) and Rolf Hasselström.
4.2	*The audit committee should be structured so that it:* • *consists of only non-executive directors;* • *consists of a majority of independent directors;* • *is chaired by an independent chair, who is not chair of the Board; and* • *has at least three members.*	Yes and No	The Company's current Audit Committee only consists of 3 board members with a majority of independent directors. One director is an executive director. The Chairperson is an independent chair.
4.3	*The audit committee should have a formal charter.*	No	Such a charter is not considered necessary for the proper function of the committee given the composition of the Audit Committee and the Board.
4.4	Companies should provide the information indicated in the *Guide to reporting on Principle 4*.	Yes	The names and qualifications of those appointed to the audit committee are disclosed in the Director's report as the audit committee is the Board of Directors. No formal audit meetings were held in 2011, but all functions of the audit committee were carried out when required at Board meetings. The company will continue to explain any departures from

			Principles and Recommendations 4.1, 4.2 and 4.3 in the Corporate Governance Statement and it's future annual reports.
5	**Make timely and balanced disclosure**		
5.1	*Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.*	Yes	The Company has obligations under the Corporations Act and ASX Listing Rules to keep the market fully informed of information that may have a material effect on the price or value of its securities. The Company discharges these obligations by releasing information to ASX in the form of an ASX release or disclosure in other relevant documents (e.g. the Annual Report). The Company has a continuous disclosure program in place designed to ensure the compliance with ASX Listing Rule disclosure and to ensure accountability at a senior executive level for compliance and factual presentation of the Company's financial position.
5.2	Companies should provide the information indicated in the *Guide to reporting on Principle 5*.	Yes	The company will continue to explain any departures from Principles and Recommendations 5.1 in the Corporate Governance Statement and it's future annual reports.
6	**Respect the rights of shareholders**		
6.1	*Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.*	Yes	The Company is committed to the promotion of investor confidence by ensuring that trade in its securities takes place in an efficient, competitive and informed market. The Board Charter recognises the importance of forthright communication as a key plank in building shareholder value and that to prosper and achieve growth the Company must (among other things) earn the trust of employees, customers, suppliers, communities and security holders by being forthright in its communications and consistent in its fulfillment of obligations.
6.2	Companies should provide the information indicated in the *Guide to reporting on Principle 6*.	Yes	The company will continue to explain any departures from Principles and Recommendations 6.1 in the Corporate Governance Statement and it's future annual reports.
7	**Recognise and manage risk**		
7.1	*Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.*	Yes	Management determines the Company's risk profile and is responsible for overseeing and approving risk management strategy and policies, internal compliance and internal control. The Company's process of risk management and internal compliance and control includes: • establishing the Company's goals and objectives, and implementing and monitoring strategies and policies to achieve these goals and objectives; • continuously identifying and reacting to risks that might impact upon the achievement of the Company's goals and objectives, and monitoring the environment for emerging factors and trends that affect these risks;

			• formulating risk management strategies to manage identified risks and designing and implementing appropriate risk management policies and internal controls; and • monitoring the performance of, and continuously improving the effectiveness of, risk management systems and internal compliance and controls, including an ongoing assessment of the effectiveness of risk management and internal compliance and control.
7.2	*The Board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.*	Yes	The responsibility for undertaking and assessing risk management and internal control effectiveness is delegated to management. Management is required by the Board to report back on the efficiency and effectiveness of risk management, inter alia, by benchmarking the Company's performance against industry standards. The risk profile of the Company contains both financial and non-financial factors including material risks arising from pricing, competitive position, currency movements, operational efficiency, product quality and investments in new projects. To mitigate these risks, the company has in place an experienced Board, regular Board meetings, financial annual audit and half-year review, rigorous appraisal of new investments, and advisers familiar with the company. The Board's collective experience will enable accurate identification of the principal risks that may affect the Company's business. Key operational risks and their management will be recurring items for deliberation at Board Meetings.
7.3	*The Board should disclose whether it has received assurance from the chief executive officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.*	Yes	The Chief Executive Officer and the Financial Controller confirm in writing to the Board that the financial reports of the Company for the financial year: • present a true and fair view, in all material respects, of the company's financial condition and operational results and are in accordance with relevant accounting standards; • the statement given in paragraph (a) above is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board; and • the company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.
7.4	Companies should provide the information indicated in the *Guide to reporting on Principle 7*.	Yes and No	The Board received regular updates from the chief executive officer and the chief financial officer at Board Meetings on risk management and internal controls.

			The company will continue to explain any departures from Principles and Recommendations 7.1, 7.2 and 7.3 in the Corporate Governance Statement and it's future annual reports.
8	**Remunerate fairly and responsibly**		
8.1	*The Board should establish a remuneration committee*	Yes	The Board has established a remuneration committee. The Committee consists of Ian Campbell (Chairperson), and Rolf Hasselström.
8.2	*The remuneration committee should be structured so that it:* • *consists of a majority of independent directors;* • *is chaired by an independent director; and* • *has at least three members.*	Yes	The Company's current Remuneration Committee only consists of 3 board members with a majority of independent directors. One director is an executive director. The Chairperson is an independent director.
8.3	*Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.*	Yes	Executive Directors remuneration packages may comprise of: (a) salary and associated superannuation; (b) fixed directors fees; and (c) performance based bonuses. Non-Executive Directors receive fixed directors fees only, and do not participate in any performance-based remuneration. Fixed directors fees may be paid in the form of cash, shares, share options or a combination of both. Shares and share options are issued on similar terms to previous issues by the entity and are considered to be in lieu of cash, not based on performance of the entity. Full remuneration disclosure, including superannuation entitlements, and the number of meetings of the Remuneration Committee are provided by the Company in its annual report. The Remuneration Committee ensures that all equity based executive remuneration is made within the guidelines set by plans approved by Shareholders.
8.4	Companies should provide the information indicated in the *Guide to reporting on Principle 8*.	Yes and No	The names and qualifications of those appointed to the audit committee are disclosed in the Director's report as the audit committee is the Board of Directors. No formal remuneration meetings were held in 2011, but all functions of the audit committee were carried out when required at Board meetings. No schemes exist for retirement benefits other than statutory superannuation for non-executive directors. The company will continue to explain any departures from Principles and Recommendations 4.1, 4.2 and 4.3 in the Corporate Governance Statement and it's future annual reports.

Enerji Limited

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

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

ASX additional information as at 19 March 2013

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
Cape Bouvard Equities Pty Ltd	66,666,667	4.45%
Hawera Pty Ltd	64,390,147	4.29%
Belloc Pty Limited	48,619,699	3.24%
Indio Holdings Pty Ltd	47,673,333	3.18%
Boxpower AB	44,500,000	2.97%
Gabrielsson Invest AB	44,500,000	2.97%
ABN Amro Clearing Sydney Nominees Pty Ltd	34,874,387	2.33%
Mr Greg Pennefather	32,099,666	2.14%
Stevsand Holdings Pty Ltd	27,846,154	1.86%
E C Dawson Super Pty Ltd	26,000,000	1.73%
Mr Shane Robert McMillan	23,500,000	1.57%
Buelow Nominees Pty Ltd	20,550,000	1.37%
Mr John Thomas Cullinan & Mrs Sheryl Anne Botheras	20,000,000	1.33%
Frollo Enterprises Limited	20,000,000	1.33%
Mr Bradley John Hicks & Mrs Jessica Kate Bruce	18,365,126	1.22%
J & TW Dekker Pty Ltd	15,000,000	1.00%
Mr Andrew Peter Fisher	14,722,412	0.98%
Mr Andrew Kenneth Bruce Mortimer	13,600,000	0.91%
Bell Potter Nominees Ltd	13,499,000	0.90%
Mrs Wei Wang	13,000,000	0.87%
	609,406,591	40.65%

Substantial shareholders

Nil

Distribution of equity security holders	Holders
1 - 1,000	232
1,001 - 5,000	133
5,001 - 10,000	104
10,000 - 100,000	657
100,000 and over	834
	1,960

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%
National Nominees Limited	2,237,123	3.46%
Mr Noel David McEvoy & Mrs Shelley Dawn McEvoy	2,213,004	3.42%
Frollo Enterprises Limited	2,000,000	3.09%
Dark Dragon Holdings Pty Ltd	1,700,000	2.63%
Acru Pty Ltd	1,572,909	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%
Mr Gregory John Gibson	1,289,022	1.99%
Landteck Pty Ltd	1,017,600	1.57%
Australian Heritage Group Pty Ltd	1,000,000	1.54%
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%
	40,088,199	61.92%

Substantial option holders

Nil

Distribution of equity security holders	Holders
1 - 1,000	518
1,001 - 5,000	389
5,001 - 10,000	183
10,000 - 100,000	267
100,000 and over	81
	1,438

Voting rights

There are no voting rights attached to the options.

Enerji Limited

$0.03 OPTIONS EXPIRING 30 JUNE 2015

Twenty largest option holders

Name	Number of options held	Percentage of total held
Celtic Capital Pty Ltd	100,000,000	13.14%
Hawera Pty Ltd	96,463,383	12.67%
Cape Bouvard Equities Pty Ltd	33,333,334	4.38%
Mr Peter Andrew Proksa	30,000,000	3.94%
Mr Andrew Peter Fisher	26,500,000	3.48%
Landpath Pty Ltd	25,125,000	3.30%
Archenland Pty Ltd	23,150,000	3.04%
Belloc Pty Limited	21,525,930	2.83%
Mr Ronald Slobe & Mrs Trudy Slobe	16,941,667	2.23%
Mrs Loris Joyce Fisher & Mr Peter John Fisher	16,877,779	2.22%
Bell Potter Nominees Ltd	14,562,500	1.91%
Goffacan Pty Ltd	13,000,000	1.71%
The Brand Connection Pty Ltd	10,569,781	1.39%
E C Dawson Super Pty Ltd	10,566,667	1.39%
Mr John Thomas Cullinan & Mrs Sheryl Anne Botheras	10,000,000	1.31%
Suburban Holdings Pty Ltd	9,634,900	1.27%
Mr Satish Chandra Akula	9,227,246	1.21%
Dawesville Nominees Pty Ltd	8,666,667	1.14%
Gabrielsson Invest AB	8,660,494	1.14%
Indio Holdings Pty Ltd	8,166,667	1.07%
	492,972,015	64.77%

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	24
1,001 - 5,000	44
5,001 - 10,000	36
10,000 - 100,000	144
100,000 and over	234
	482

Voting rights

There are no voting rights attached to the options.