



wasabi
energy

Annual Report

June 30 2010



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Chairman's Report

Wasabi focused on the development of its three core businesses – renewable power generation and enhanced industrial energy efficiency, sustainable and secure water supply, and biofuels from renewable resources over the financial year.

The businesses are conducted separately by Wasabi's 96% owned subsidiary, Global Geothermal Ltd (GGL), the holder of global patents and intellectual property covering the Kalina Power Cycle electricity generating process, 50% of AquaGuardian Group Ltd, a water technology company currently focused on preventing water storage losses through evaporation, and 25% of Australian Renewable Fuels Ltd, a company with established refining capacity to produce 90 million litres annually of bio-diesel from non-food sources.

Each business uses tested and proven technology and is in the early stages of commercialization. Wasabi is actively involved in management of the companies and assists in achieving critical business milestones, financing growth of the enterprises and ultimately the delivery of profitable results.

As is normal in the early stages of commercialising innovative and new technologies, the companies are yet to achieve the scale of operations required to generate what we expect will be substantial and sustainable profits. These profits will be gained from having first mover status in businesses that have an ability to deliver commercial clean solutions for industries facing mounting pressure to manage their energy requirements more efficiently and to conserve resources.

For the financial year to 30 June, 2010, Wasabi incurred a net loss of \$8,482,739 under current accounting standards. The loss comprises an approximate \$2.9 million in relation to Wasabi's investment in the Kalina Power Cycle, Wasabi's \$1.7 million equity accounted share of losses incurred by AquaGuardian (AGG) and Australian Renewable Fuels (ARW), the parent company's loss of \$0.8 million and a \$3.1 million loss on the reclassification of an investment in Rum Jungle Uranium Ltd.

The Rum Jungle loss exceeds the actual cost of the investment but has been adopted to comply with accounting standards. Since the close of the financial year, part of the investment has been sold yielding a surplus over the original cost of the investment.

All three enterprises made significant progress towards building markets in their respective industries. GGL gained greater recognition globally for the superiority of the Kalina Power Cycle in producing electricity, AGG entered into strategic agreements for the manufacture of its AquaArmour™ product, while organizing first sales of the product and ARW continued to build sales of diesel from its two Australian refineries.

Yours Faithfully



John Byrne
Executive Chairman



Review of Operations

Global Geothermal

Wasabi increased its holding during the year to 95% of GGL which has focused on licensing and marketing the innovative Kalina Cycle technology into two core business streams, Enhanced Energy Efficiency (EEE) and Renewable Energy Generation (REG).

The technology has been utilized commercially since the mid-80's with plants installed at an oil refinery and steel mill in Japan utilising heat generated in the refining and production processes to provide supplementary power for the operations. Under license to Siemens, two Kalina Cycle plants have been commissioned in Europe utilising geothermal heat as a source for electricity generation.

A major licencing agreement was entered into early in the year with Shanghai Shenghe New Energy Resources and Technology (SSNE) under which SSNE, a developer of waste heat, geothermal and solar thermal power plants, was granted an exclusive licence to manufacture Kalina Cycle power plants and to utilize Kalina Cycle technology in China.

In a world first, SSNE, with technical and engineering assistance from GGL's wholly-owned Recurrent Engineering subsidiary, built and commissioned the first solar thermal power plant using Kalina Cycle technology. The plant was integrated into and provides power for the Shanghai Corporate Pavilion as part of Expo 2010 in Shanghai.

SSNE and GGL hosted numerous high level industry and government delegations visiting the power plant. The delegates involved senior policy makers and a number of existing and prospective partners including major power plant engineering, procurement and construction providers who will be pivotal in the delivery of Kalina Cycle technology for larger capacity projects.

Under the licence agreement GGL and Recurrent Engineering have provided SSNE with extensive training and transfer of proprietary technology and information relating to the design and construction of Kalina Cycle power plants. SSNE has embraced the technology enthusiastically and is in the process of establishing an assemble line in Shanghai capable of

building up to 50 Kalina Cycle plants annually with individual power plant capacities of up to 6MW.

SSNE is targeting among other energy intensive industries, China's cement industry, which accounts for half of all global cement production and has recently commenced the engineering design for the first Kalina Cycle waste heat recovery power plant for use in China's cement industry. It is scheduled for delivery in 2011.

In addition, SSNE has presented scientific evaluations to the industry supporting the superiority of the Kalina Cycle technology over other methods of using waste heat from the cement making and other energy intensive industrial processes to generate electricity.

While GGL has made significant progress through SSNE's efforts in China, it has also entered into a co-operative arrangement with Johnson Controls to manufacture two geothermal Kalina Cycle power plants for the Japanese government sponsored Geothermal Energy Research & Development organisation (GERD) for use on hot springs in Japan. Two larger geothermal pants using the Kalina Cycle were commissioned in Europe.

In addition to the SSNE and GERD activities, GGL is in active discussions with a number of major industry leading companies which will assist in increasing the rate of adoption of the Kalina Cycle in global market segments.

More recently negotiations have been undertaken for GGL to invest directly in geothermal power projects in Europe and the US. It is likely these investments will be undertaken in conjunction with a major geothermal company. They provide GGL with the opportunity to build, own and operate Kalina Cycle power plants.

Aqua Guardian Group

Wasabi increased its ownership of AGG to 50% after the close of the financial year to provide further support for AGG's commercial roll out of its AquaArmour™ product. Wasabi's increased investment coincides with AGG progressing rapidly along the commercialisation path, through the accomplishment of pivotal milestones in both the

production and deployment of its most advanced water conservation product, Aqua Armour™.

AGG has taken delivery of a specialised, custom-made production tool from Germany in September, 2010 to commence large scale production of the Aqua Armour™ modules.

The plant will be installed at a leading plastics factory in Victoria operated by AGG's production partner, Venture Industries, a leading global plastics manufacturer. The initial production of Aqua Armour™ from the Victorian factory will be utilised to fulfil existing orders, including substantial orders from both rural supplies group IHD Group and an urban water authority, the Grampians Wimmera Mallee Water.

The anticipated rapid deployment of Aqua Armour™ by industry (IHD Group) and water authorities (GWM Water) in Australia is underpinned by independent validation by the National Centre for Engineering in Agriculture (NCEA), a division of the University of Southern Queensland, which confirmed the effectiveness of Aqua Armour™.

AGG believes Aqua Armour™ is the only global evaporation control system capable of efficiently covering large dams and major water storages to minimize evaporation and offer a cost effective solution for sustainable water conservation

As announced by Wasabi on 15 April 2010, under the distribution agreement entered into by the IHD Group and AGG, the cumulative first year sales target set by the IHD Group consists of anticipated Aqua Armour™ product sales volumes, sufficient to cover 50 hectares of water storage.

Given the significant market share held by the IHD Group in key agricultural market segments across regional Australia through their network of 190+ outlets, and the clear value proposition of Aqua Armour™, AGG considers IHD Group's first year sales targets to be achievable. On the basis of forecast revenues from sales of the Aqua Armour™ product by the IHD Group, gross first year revenues in the order of approximately \$16 million are anticipated by AGG.

Production of Aqua Armour™ from the Victorian

factory will also be utilised to fulfill an additional order under an existing contract with GWM Water, for an initial 2 hectare deployment at Ouyen, in north western Victoria. The major urban and regional water authorities in Australia represent one of the largest markets for the Aqua Armour™ product, with recent estimates indicating that they collectively manage in excess of 800,000 hectares of open water storages.

In order to effectively position Aqua Armour™ in this attractive and currently un-serviced market segment, AGG is arranging for many of the major urban and regional water authorities from across Australia to examine the deployment of Aqua Armour™ in Ouyen, in conjunction with GWM Water.

AGG has made significant progress with the marketing of Aqua Armour™ in each of the key market segments namely Agriculture, Mining and Urban Water and expect to formalise additional sales contracts over coming months. As part of these sales and marketing initiatives, AGG has been asked to submit for two prestigious awards. The Australian Mining Awards - Excellence in Environmental Management and the Australian China Business Award - Sustainable Development.

AGG are in the process of securing ownership of the underlying intellectual property and trademarks and in addition to the innovative design of the production tool, have identified further technology and equipment enhancement opportunities. The implementation of these improvements will provide additional manufacturing capacity to increase production and enable AGG to match its production to the expanding marketing and sales activities.

Water is a precious commodity that is becoming scarcer as environmental factors and population growth impact on the availability of suitable usable water, particularly in areas such as Australia, China, India, USA and other worldwide markets. Loss of water through evaporation in Australia is on average four times the annual rainfall amount. AGG believes it is much easier, cheaper and more environmentally responsible to conserve water through evaporation control, than to capture or produce water through other methods.

The business model adopted by AGG indicates that once fully operational, based on sales of the AquaArmour™ product sufficient to cover each 100 hectares of open water storage, AGG is projected to generate approximately \$30 million dollars of revenue.

A recent agreement between Wasabi and AGG allows for a 75% distribution of all free funds AGG to be made to shareholders each year. Given the revenue forecasts for AquaArmour™, Wasabi expects to commence receiving returns from its investment in the near future.

The increased ownership interest in the Aqua Guardian Group provides Wasabi with a strategic position in an attractive market segment poised for substantial growth as global water shortages become increasingly relevant. AGG holds the world wide rights to the AquaArmour™ product which is protected by a number of international patents, therefore any market position established by the product is expected to be both tangible and sustained.

Building on the initial success in Australia, Aqua Guardian Group has aspirations to penetrate key international markets with the AquaArmour™, providing additional revenue opportunities. As well as the advances made in Australia, AGG entered into a sub-licencing and manufacturing agreement covering South East Asia with SriThai, one of Thailand's major plastics manufacturers, which in return, will provide a trial dam on which to test the AquaArmour™ product and to showcase the product to potential regional users. Discussions are at an earlier stage for similar agreements to market AquaArmour™ globally.

Australian Renewable Fuels

The year ending 30 June 2010 has been a positive year for ARW. The period has not been without its challenges, but ARW are confident that the foundations have been laid to enable them to capitalise on the opportunities that will be presented to the biofuels industry in the years ahead. Building on the financial restructuring of the Group in mid 2009, the Group has

emerged from the 'care and maintenance' mode and is now progressing through a growth phase towards commercially viable sales and production volumes. Although a loss was incurred by ARW for the period, profit performance has increased considerably since the 2009 financial year.

Excess land at ARW's Picton facility was sold in September 2009. The proceeds from this sale complemented the rights issue funds raised in July 2009 to provide the resources to make several key changes to the organisation.

ARW established a new senior management team and is now well equipped to ensure that shareholder value is protected and that there is a defined path to sustainable growth.

Over several months, commencing in early 2010, ARW devoted a great deal of resources to the evaluation of a merger with Wasabi. After consideration of the prevailing market conditions and the need to progress funding alternatives, both companies agreed not to progress with the merger, but Wasabi advised that it remained committed as a core shareholder and supporter of Australian Renewable Fuels. The strategic review which formed part of the merger evaluation process will be of considerable value to ARW going forward, with the identification of key strengths and opportunities now forming part of its business plan.

In order to mitigate the impact of the risks that have had significant and very damaging effects on ARW's financial and operational performance in past years, ARW has commenced a program of diversification of feedstock supply. Historically, ARW had a reliance on bovine tallow as virtually its only feedstock and the particular market peculiarities of this product presented serious ongoing price and availability issues. The Group is now utilising a variety of bovine, ovine, porcine and poultry products as raw materials together with selected oilseeds and other vegetable oils. In addition to being a simple purchaser of these materials ARW is also at various levels of developing initiatives to capture value at earlier stages in the supply chain. Such initiatives will be key to the company maintaining security of supply of cost



efficient feedstock for the long term. ARW remains committed to avoiding feedstock which interferes with the food chain or has adverse environmental results.

ARW is also expanding the breadth of its customer base, both in terms of the number of customers and the industry sectors into which it is selling biodiesel. Diversification and expansion of sales opportunities will mitigate the impact of the cyclical and sporadic nature of some elements of customer demand which can be affected by such factors as their own end-product demand, the weather, and the price and availability of mineral diesel.

The Australian biodiesel market as a whole continues to face some major challenges. The Federal Government's decision to delay the implementation of any form of emissions trading scheme or an alternative carbon incentive program has certainly had an impact on the attitude and strategies of customers. Without a defined path forward, many customers are delaying their conversion to biodiesel until the picture is clearer. The New South Wales state government has implemented a mandate whereby 2% (later rising to 5%) of all diesel used must be from biodiesel but the other states are at various early stages of implementing such mandates.

The other major challenge facing the domestic biodiesel market in the past year has been the alleged dumping of cheap US biodiesel into the Australian market. The US government provides considerable price support for that country's biodiesel producers and some Australian importers have seized on the opportunity to bring in artificially



cheap product which also qualifies for the Cleaner Fuels Grant Scheme by which the Australian fuel excise is effectively nullified. The Australian Customs and Border Protection Service is currently considering complaints from the local biodiesel industry regarding this imported product to determine if there is a dumping case to be actioned. Some customers are awaiting the outcome of this case before committing to a biodiesel purchasing strategy.

In August 2010, ARW raised \$950,000 through the placement of shares to sophisticated and professional investors and, as at the date of this report, they are in the process of raising additional capital to enable it to pay down its debt to Wasabi and to provide additional working capital to serve as a platform for it to accelerate its sale growth. It is intended that the additional capital will be raised in the form of an underwritten rights issue and that the process will be complete in or around October 2010.

ARW directors believe that this will provide the opportunity for ARW to commence an era of substantial growth in which the patience and support of its shareholders will be rewarded.

Investments

Since the close of the Financial Year Wasabi has sold most of its holding in RUM Jungle Uranium. The remainder of the portfolio had a market value of \$2,422,400 at 10 September 2010. These investments are non core holdings and will be realised over time as opportunities arise.

Directors' Report

The directors of Wasabi Energy Limited present their annual financial report of the Company for the year ended 30 June 2010. The directors report as follows:

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

Name and Qualifications	Particulars
<p>Mr John Byrne</p>	<p>Mr. Byrne has over 30 years' experience in the natural resources industry as an investor and resource business developer. During the past 10 years Mr. Byrne has founded and built a number of companies from the ground up, including from development through to production. In this period he has been instrumental as either CEO or Executive Chairman in overseeing the building of 6 coal mines (in Canada, the US and the UK) along with 3 wash plants, totaling in excess of \$500 million of expenditure. Until May 2010 Mr. Byrne was Chairman of Western Coal Corporation, a global coal producer. Since retiring from Western Coal Corporation, Mr. Byrne is now concentrated on identifying projects in and solutions to a number of sustainability issues that exist in the world today.</p> <p>Mr. Byrne is also an executive director of Global Geothermal Limited.</p> <p>Appointed 8 May 2009.</p>
<p>Mr Stephen Morris</p>	<p>Mr Morris has more than 20 years' experience in international investment and management in a wide range of industries. Mr Morris is founder and Chief Executive of Fifth Avenue Capital Inc. (a venture capital company) and a founder and director of FAC Smaller Strategic Opportunities Inc. as an early stage resource investor.</p> <p>Mr Morris is also a non-executive director of Sallies Ltd, a JSE listed fluorspar producer.</p> <p>Mr. Morris is an executive director of Global Geothermal Limited.</p> <p>Appointed 13 November 2006.</p>
<p>Mr Robert Reynolds <i>Master Eng. (Mining)</i></p>	<p>Mr. Reynolds is a mining engineer with more than 30 years experience in Australia and overseas in coal marketing as well as coal mining management and engineering. Mr. Reynolds is a consultant providing marketing advice and services to a number of national and international coal producers. Mr. Reynolds past experience was with Southland Coal, Oceanic Coal and BHP.</p> <p>Appointed 10 August 2005.</p>
<p>Mr Robert Vallender <i>B Comm.</i></p>	<p>Mr. Vallender has over 30 years of management and new technology product development experience in Australia and North America. Mr. Vallender is a consultant providing independent marketing and capital project sales advice to the Australian and European iron and steel and primary metals industries. He has dealt with major manufacturers and producers including Alcoa, U.S. Steel and General Motors.</p> <p>Appointed 10 August 2005.</p>
<p>Dr Malcolm Jacques <i>Ph.D. Chemical Engineering</i></p>	<p>Dr Jacques is an independent energy consultant, focusing on the Renewable and Clean Energy sectors, with special emphasis on technical and regulatory issues associated with the integration of distributed and renewable energy sources into existing power grids. Dr Jacques maintains close working relationships with policy makers, regulators, financial organizations and consultants in the energy sectors in Europe and the USA.</p> <p>Dr Jacques' international career has embraced research, development and implementation of numerous energy technologies in both the public and private sectors. He has worked with several well known companies and organizations including BP Ventures (UK), The Energy Laboratory, MIT (Cambridge, USA), Strategic Research Foundation (Australia) and has played key roles in the establishment and management of public and private energy technology companies in Australia and North America.</p> <p>Dr Jacques is also an executive director of Global Geothermal Limited.</p> <p>Appointed 2 March 2010</p>
<p>Mr Tim Wise <i>B.Sc.</i></p>	<p>Mr. Wise has been the executive responsible for the day to day management of the company for 9 years. Mr. Wise holds a bachelor of science degree from the University of Western Australia. He has owned and operated many companies over the last 19 years. Mr. Wise has extensive experience in public company management with roles as both an executive and non executive over the last 9 years.</p> <p>Resigned 9 September 2009</p>

Directors' Report

Directorships of other listed companies

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

Name	Company	Period of Directorship
John Byrne	Mandalay Resources Limited (Canada)	2009 – current
	Western Coal Corporation (Canada)	2000 – 2010
	Cambrian Mining Plc (UK)	2002 – 2009
	Northern Energy & Mining Inc. (Canada)	2006 – 2009
	Lysander Minerals (Canada)	2008 – 2009
	Coal International Plc (UK)	2005 – 2008
Stephen Morris	Sallies Ltd (South Africa)	2009 – current

Shareholdings

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

During and since the end of the financial year 58 million options (2009: Nil) were granted as part of their remuneration.

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

Directors and Senior Management	Fully Paid Ordinary Shares Number	Options Number
Directors		
John Byrne	146,864,231	107,920,722
Stephen Morris	16,436,267	18,750,000
Robert Reynolds	18,442,627	10,000,000
Robert Vallender	5,106,438	15,000,000
Malcolm Jacques	4,000,000	Nil
Senior Management		
Alwyn Davey	156,106	8,000,000
Kesh Thurairasa	463,425	–

During and since the end of the financial year an aggregate of 58,000,000 share options were granted to the following directors and officers of the company as part of their remuneration:

Directors and Senior Management	Number of Options Granted	Issuing Entity	Number of Ordinary Shares under Option
John Byrne	20,000,000	Wasabi Energy Ltd	20,000,000
Stephen Morris	10,000,000	Wasabi Energy Ltd	10,000,000
Robert Reynolds	10,000,000	Wasabi Energy Ltd	10,000,000
Robert Vallender	10,000,000	Wasabi Energy Ltd	10,000,000
Alwyn Davey	8,000,000	Wasabi Energy Ltd	8,000,000

Directors' Report

Directors' meetings

The number of Directors' meetings (including meetings of Committees of Directors) and the number of meetings attended by each of the Directors of the Company held during the financial year. During the financial year, 7 Board meetings and 1 Audit Committee meetings were held during the period.

Name	Board of Directors		Audit and Finance Committee	
	Held	Attended	Held	Attended
John Byrne	7	7	1	1
Stephen Morris	7	7	–	–
Robert Reynolds	7	7	1	1
Robert Vallender	7	7	–	–
Malcolm Jacques	2	2	–	–

Company Secretary

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

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



Directors' Report

Principal Activities

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

Review of Operations

The consolidated loss for the year amounted to \$8,482,739 (2009: \$13,110,680 loss).

The Review of Operations is set out on pages 3 to 5 of this report.

Changes in State of Affairs

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

Subsequent Events

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

- (i) On 10 August 2010 the company increased its holding in Aqua Guardian Group Limited to 50% for consideration of \$0.8 million cash.
- (ii) On 21 July 2010 the company sold 40 million shares in Rum Jungle Uranium for gross proceeds of \$1.6 million resulting in a loss on disposal of \$0.4 million.

Future Developments

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

Environmental Regulations

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

Dividends

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



Directors' Report

Shares Under Option or Issued on Exercise of Options

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

Issuing Entity	Number of Shares Under Option	Class of Shares	Exercise Price of Option	Expiry Date of Options
Wasabi Energy Ltd	878,000	Ordinary	1.0 ¢	23 July 2011
Wasabi Energy Ltd	1,181,205	Ordinary	1.0 ¢	17 August 2011
Wasabi Energy Ltd	420,650,766	Ordinary	1.0 ¢	21 October 2011
Wasabi Energy Ltd	50,000,000	Ordinary	1.6 ¢	30 September 2012
Wasabi Energy Ltd	8,000,000	Ordinary	2.0 ¢	30 September 2012
Global Geothermal Ltd	450,000	Ordinary	20 pence	27 December 2010

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

Issuing Entity	Number of Shares Under Option	Class of Shares	Amount Paid for Shares	Amount Unpaid
Global Geothermal Ltd	50,000	Ordinary	\$17,072	NIL

Indemnification of Officers and Auditors

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

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

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

Non-Audit Services

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

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

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

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor, and

Directors' Report

- none of the services undermine the general principles relating to auditor independence as set out in Code of Conduct APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional & Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

Auditor's independence declaration

The auditors' independence declaration is included on page 82 of the annual report.

Remuneration Report (Audited)

This remuneration report, which forms part of the directors' report, sets out information about the remuneration of Wasabi Energy Limited's directors and its senior management for the financial year ended 30 June 2010. The prescribed details for each person covered by this report are detailed below under the following headings:

- Key management personnel details
- Principles of remuneration
- Relationship between the remuneration policy and Company performance
- Remuneration of directors and senior management
- Key terms of employment contracts.

Key management personnel

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

Executive Directors:

John Byrne
Stephen Morris
Malcolm Jacques – appointed 2 March 2010

Non-Executive Directors:

Robert Vallender
Robert Reynolds

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

Bruce Levy (Director – Global Geothermal Limited)
Alwyn Davey (Company Secretary – Wasabi Energy Limited) – appointed 9 July 2009
Kesh Thurairasa (Financial Controller – Wasabi Energy Limited)

Directors' Report

Principles of remuneration

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

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

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

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

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

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

Senior Executive Remuneration

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

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

Fixed Compensation

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

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

Incentive Based Compensation

The Company does not currently operate a short-term incentive scheme and, in 2009, no cash awards were made to the executives. The Board did not operate a short-term incentive scheme for the 2010 financial year, however will review this in the context of the formal review of the Company's broader executive remuneration policy to be undertaken during the 2011 financial year.

In 2009 and 2010, the Company issued options to Directors and senior executives. The current approach of not having time based vesting is considered appropriate. The Board will continue to review the appropriateness of the time based vesting conditions for future grants of options.

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

Directors' Report

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

The cash fees paid to Independent Non-executive Directors for the 2010 financial year were \$25,000 (2009:\$25,000) per annum, plus statutory superannuation.

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

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

Relationship Between the Remuneration Policy and Company Performance

The achievement of Company strategic objectives is the key focus of the efforts of the Company, and it is the leadership of the directors and senior management which makes the achievement of this aim possible. As indicated above, over the course of the 2010 financial year, the Board will review the Company's executive remuneration policy to ensure the remuneration framework remains focused on driving and rewarding executive performance, while being closely aligned to the achievement of Company strategic objectives and the creation of shareholder value.

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

The table below set out summary information about the consolidated entity's earnings and movement in shareholder wealth for the five years to 30 June 2010.

	30 June 2010	30 June 2009	30 June 2008	30 June 2007	30 June 2006
Revenue	756,532	2,674,183	5,184,053	14,647	58,183
Net (loss) / profit before tax	(8,482,739)	(14,772,581)	320,269	(4,268,207)	(535,470)
Net (loss) after tax	(8,482,739)	(13,110,680)	(551,867)	(4,268,207)	(535,470)
Share price at start of year (¢)	1.5	2.6	3.9	2.8	2.2
Share price at end of year (¢)	1.2	1.5	2.6	3.9	2.8
Dividends paid (¢)	–	–	–	–	–
Basic and diluted (loss) per share (¢)	(0.65)	(1.59)	(0.07)	(0.87)	(0.14)

Key management personnel may not deal in company securities on consideration of a short term nature.

Directors' Report

Remuneration of Directors and Senior Management (Audited)

Name	Year	Short-term employment benefits		Post-employment	Equity (Long-term)		Total
		Salary & Fees	Non-Monetary	Super Contribution	Options Expensed in Year (1)	S300A (1)(e) (vi) Value of Options as proportion of Total Remuneration	
Executive Directors		\$	\$	\$	\$	%	\$
John Byrne	2010	29,167	5,052	–	260,688	88	294,907
	2009	–	–	–	–	–	–
Stephen Morris	2010	352,053	–	–	130,344	27	482,397
	2009	319,158	–	–	–	–	319,158
Malcolm Jacques	2010	40,000	–	–	–	–	40,000
	2009	–	–	–	–	–	–
Tim Wise	2010	58,333	–	5,280	(221,410)	(144)	(153,827)
	2010	140,000	–	12,600	–	–	152,600
Non-Executive Directors		\$	\$	\$	\$	%	\$
Robert Reynolds	2010	25,000	–	1,687	130,344	83	157,031
	2009	25,000	–	2,250	–	–	27,250
Robert Vallender	2010	25,000	–	1,687	130,344	83	157,031
	2009	25,000	–	2,250	–	–	27,250
Senior Management		\$	\$	\$	\$	%	\$
Bruce Levy	2010	232,345	–	–	–	–	232,345
	2009	163,248	–	–	–	–	163,248
Alwyn Davey (a)	2010	–	3,136	–	80,306	96	83,442
	2009	–	–	–	–	–	–
Kesh Thurairasa (a)	2010	–	–	–	–	–	–
	2009	–	–	–	–	–	–
TOTALS	2010	761,898	8,188	8,654	510,616	40	1,289,356
TOTALS	2009	672,406	–	17,100	–	–	689,506

(a) Not remunerated directly by company, but via a service company by which they are employed.

No Director or Senior Management person appointed during the period received a payment as part of his or her consideration for agreeing to hold the position.

- Expensing of fair value options on a straight-line basis over vesting period. Determined using Black Scholes valuation method.

Notes:

- No cash awards were paid during the 2010 financial year (2009: Nil). All awards were made in the form of options.
- During the year 50,000,000 options were issued to directors and 8,000,000 to senior management.
- 30,000,000 options expired and 10,000,000 were forfeited during the year due to cessation of employment.

Directors' Report

Equity Instruments

Options [note 34 (i)]

During the financial year the Company issued 50,000,000 options to directors and the Board of Directors approved and the company issued 8,000,000 options to employees.

The holders of these options and unallocated shares entitle the holder to acquire one share by way of issue.

Modification of Terms of Equity-Settled Share-Based Payment Transactions

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

Analysis of options over equity instruments granted as compensation

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

Name	During the Financial Year			Value of Options Granted at the Grant Date (i), (ii)	Value of Options lapsed at the Date of Lapse (iii)
	No. Granted	No. Vested	\$ Expensed in Year		
Directors				\$	\$
John Byrne	20,000,000	20,000,000	260,688	260,688	–
Stephen Morris	10,000,000	10,000,000	130,344	130,344	221,410
Robert Reynolds	10,000,000	10,000,000	130,344	130,344	189,780
Robert Vallender	10,000,000	10,000,000	130,344	130,344	189,781
Malcolm Jacques	NIL	NIL	NIL	NIL	NIL
Tim Wise	NIL	NIL	NIL	NIL	221,410
Senior Mgt				\$	\$
Alwyn Davey	8,000,000	8,000,000	80,315	80,315	–

Notes:

- (i) The value of options granted is recognised in compensation on a straight line basis over the vesting period of the grant, in accordance with Australian accounting standards.
- (ii) The fair value of the options at grant date of 1.3¢ per share was based on fair value at grant date.
- (iii) Value of options lapsing during the period due to the failure to exercise the options before the expiry date

The options were provided at no cost to the recipients. In general, upon vesting, the holder will be entitled to exercise their options and acquire one fully paid ordinary share in the Company for each performance right. 1.6¢ is payable upon exercise of each option by directors, and 2¢ is payable upon exercise of each option by Senior Management.

Directors' Report

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

Option Series	Grant Date	Expiry Date	Grant Date Fair Value	Vesting Date
(i) Issued 4th January 2008	4/01/08	27/12/10	5.6¢	Vests at date of grant
(ii) Issued 26th November 2009	25/09/09	30/09/12	1.3¢	Vests at date of grant
(i) Issued 19th January 2010	19/01/10	30/09/12	1.0¢	Vests at date of grant

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

Service Agreements

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

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

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

On behalf of the Directors



Malcolm Jacques

Executive Director

Melbourne, 22 September 2010

Corporate Governance

Statement

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

Recommendations

1. Lay solid foundations for management and oversight

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

The company refers all major investment decisions to the Board for consideration and approval. Day to day operations of the Company are the responsibility of the Executive Directors.

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

2. Structure the Board to add value

2.1 A majority of the Board should be independent directors.

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

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

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

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

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

Corporate Governance

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

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

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

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

2.5 Companies should disclose the process for evaluating the performance of the Board. The performance of the Board is not currently

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

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

3. Promote ethical and responsible decision-making

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

- (a) the practices necessary to maintain confidence in the company's integrity;
- (b) the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; and
- (c) the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

The company has not yet established a formal written code of conduct. The board is currently reviewing this aspect of the corporate governance guidelines and will establish an appropriate code of conduct relative to the size

Corporate Governance

of the company. Currently each of the directors is aware of the investment and corporate objectives of the company and is conscious of the expectations of the shareholders, investee companies and their stakeholders. Any activities of the company are undertaken in consideration of all legal and regulatory requirements as well as with consideration of the underlying value of the activity to shareholders and other stakeholders. The Company Secretary is primarily tasked with maintaining a high level of compliance on all aspects of the business and has the support of the board to achieve this outcome.

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

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

4. Safeguard integrity in financial reporting

4.1 The Board should establish an audit committee. The Board has established an audit committee which operates under a charter approved by the Board. It is the audit committee's responsibility to ensure that an effective internal control framework exists within the entity. This includes internal controls to deal

with the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information as well as non financial considerations such as the benchmarking of operations key performance indicators. The Committee will also provide the Board with additional assurance regarding the reliability of financial information for inclusion in the financial reports.

4.2 The audit committee should be structured so that it:

- (a) consists of only non-executive directors;
- (b) consists of a majority of independent directors;
- (c) is chaired by an independent chair who is not chair of the Board; and
- (d) has at least three members.

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

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

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

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

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

4.3 The audit committee should have a formal charter. The committee has a formal charter which is disclosed on the company's website.

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4.4 Companies should provide the information indicated in 'Guide to Reporting on Principle 4'. The information identified in the 'Guide to Reporting on Principle 4' has been satisfied either in the Corporate Governance Statement or the Directors' Report in the Annual Report.

5. Make timely and balanced disclosure

5.1 Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance. The company has made the directors and the senior management of its subsidiaries and associates aware of the requirement for continuous and periodic disclosure to ensure the factual presentation of the company's financial position and market-sensitive information is maintained in an orderly and timely fashion. At present the company does not have a written policy due to the size of the company and the limited number of people and activities of the company. The board consider this is appropriate for the size of the company however it is currently reviewing its policies in regard to this Recommendation.

5.2 Companies should provide the information indicated in 'Guide to Reporting on Principle 5'. A summary of the company's continuous disclosure policy is set out above and if appropriate will be disclosed on the company's website.

6. Respect the rights of shareholders

6.1 Companies should design a communication policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy. The company has a shareholders communication policy which aims to ensure that the shareholders are informed of all major developments affecting the

company. All shareholders are able to receive the company's annual report. The company also encourages full participation of shareholders at its annual general meeting and at extraordinary general meetings when called. The company makes available a telephone and email address for shareholders to make enquiries of the company.

6.2 Companies should provide the information indicated in 'Guide to Reporting on Principle 6'. The company maintains a website on which it makes available: company announcements; shareholder meeting notices and explanatory materials; financial information and annual reports. The company is currently reviewing its website and where necessary will enhance the information available on that site.

7. Recognise and manage risk

7.1 Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies. The identification and effective management of risk is viewed as an essential part of the company's approach to creating long-term shareholder value. In recognition of this, the Board has determined to form a Risk Committee to better determine the company's risk profile and this committee will be responsible for overseeing and approving risk management strategy and policies, internal compliance and internal control. This process is ongoing and will continue to be a focus of the committee and the board.

7.2 The Board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The company will be establishing a risk management policy within which will be set out a framework for a system of risk management and internal compliance and control. Senior management as required will have responsibility for identifying,

Corporate Governance

assessing, treating and monitoring risks and reporting to the Board on these risks and the extent to which it believes they are being adequately managed.

7.3 The Board should disclose whether it has received assurances from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295 of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks. The Board has received a declaration from the Company Secretary, being an officer with primary responsibility as defined by section 295 of the Corporations Act, assuring that the declaration provided in accordance with section 295 of the Corporations Act is founded on a sound system of risk management and internal control and that the system, to the extent that they relate to financial reporting, is operating effectively in all material respects.

7.4 Companies should provide the information indicated in 'Guide to Reporting on Principle 7'. A summary of the company's risk management policy is disclosed on the company's website.

8. Remunerate fairly and responsibly

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

executives' performance and a framework for directors' compensation.

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

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

8.3 Companies should provide the information indicated in 'Guide to Reporting on Principle 8'.

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

Financial Statements

Statement of comprehensive income

For the financial year ended 30 June 2010

		Consolidated		Company	
	Note	2010 \$	2009 \$	2010 \$	2009 \$
Revenue	4	756,532	2,674,183	–	45
Cost of Sales		(627,640)	(506,680)	–	–
Gross profit		128,892	2,167,503	–	45
Gain on dilution of investment		–	439,624	–	–
Other revenue		78,592	210,540	186,616	210,540
Finance income		289,455	16,447	263,142	10,315
Employee benefits expenses		(2,396,406)	(1,433,053)	(752,126)	(347,252)
Administration expenses		(1,245,294)	(663,497)	(748,008)	(426,557)
Depreciation and amortisation expenses	6	(38,855)	(1,387)	(19,276)	(705)
Travel expenses		(687,258)	(366,588)	(220,772)	
Impairment of assets	6	(168,262)	(15,174,495)	(3,786,456)	(11,340,692)
Impairment of investments classified as held for sale	14	(1,653,685)	–	–	–
Gain on investments classified as held for sale		–	–	1,802,730	–
Legal and professional fees		(518,045)	(740,493)	(241,777)	(97,969)
Patent costs		(303,415)	–	–	
Exchange variation		64,527	(13,185)	60,870	(7,021)
Fair value loss on options		(147,956)	(187,277)	(147,956)	(187,277)
Gain on derivative assets		122,863	–	122,863	–
Finance costs	5	(270,544)	(302,453)	(270,228)	(302,453)
Loss from equity accounted investments	14	(1,737,348)	(299,547)	–	–
Change in fair value of associate		–	1,575,280	–	–
Loss before tax		(8,482,739)	(14,772,581)	(3,750,378)	(12,489,026)
Income tax benefit	7	–	1,661,901	–	85,605
Loss for the year		(8,482,739)	(13,110,680)	(3,750,378)	(12,403,421)
Attributed to:					
Owners of the parent		(8,241,125)	(13,058,961)	(3,750,378)	(12,403,421)
Non-controlling interest		(241,614)	(51,719)	–	–
		(8,482,739)	(13,110,680)	(3,750,378)	(12,403,421)

Financial Statements

Statement of comprehensive income (cont'd)

		Consolidated		Company	
	Note	2010 \$	2009 \$	2010 \$	2009 \$
Other comprehensive income					
Exchange reserve arising on translation of foreign operations		(272,636)	263,248	–	–
Loss on available-for-sale investments taken to equity		(202,860)	(1,285,796)	(202,860)	(1,285,796)
Other comprehensive income for the period net of tax		(475,496)	(1,022,548)	(202,860)	(1,285,796)
Total comprehensive income for the period		(8,958,235)	(14,133,228)	(3,953,238)	(13,689,217)
Total comprehensive income attributable to:					
Owners of the parent		(8,690,972)	(14,238,120)	(3,953,238)	(13,689,217)
Non controlling interest		(267,263)	104,892	–	–
		(8,958,235)	(14,133,228)	(3,953,238)	(13,689,217)
Loss per share					
From continuing and discontinued operations:					
Basic (¢ per share)	33	(0.65) ¢	(1.59) ¢		
Diluted (¢ per share)	33	(0.65) ¢	(1.59) ¢		

Notes to the financial statements are included on pages 34 to 79.

Financial Statements

Statement of financial position

As at 30 June 2010

		Consolidated		Company	
	Note	2010 \$	2009 \$	2010 \$	2009 \$
Current assets					
Cash and cash equivalents	27	226,103	891,555	17,808	223,245
Trade and other receivables	8	2,962,469	1,279,109	2,932,119	119,452
Other financial assets	9	1,954,963	–	1,954,963	–
Noncurrent assets held for sale	10	2,156,000	–	2,156,000	–
Other	11	–	465,186	–	340,886
Total current assets		7,299,535	2,635,850	7,060,890	683,583
Non-current assets					
Trade and other receivables	12	34,412	–	1,685,410	–
Assets classified as available-for-sale	13	350,701	2,705,377	350,701	2,705,377
Investments accounted for using the equity method	14	566,178	4,070,290	–	–
Other financial assets	15	–	406,058	1,732,910	1,610,594
Property, plant and equipment	16	180,024	4,549	176,589	2,058
Intangible assets	17	197,458	216,414	–	–
Total non-current assets		1,328,773	7,402,688	3,945,610	4,318,029
Total assets		8,628,308	10,038,538	11,006,500	5,001,612
Current liabilities					
Trade and other payables	18	1,619,510	1,186,109	788,301	391,022
Borrowings	19	–	2,365,602	–	2,365,602
Provisions	20	1,164	–	1,164	–
Total current liabilities		1,620,674	3,551,711	789,465	2,756,624
Non-current liabilities					
Borrowings	19	6,493,887	–	6,493,887	–
Total non-current liabilities		6,493,887	–	6,493,887	–
Total liabilities		8,114,561	3,551,711	7,283,352	2,756,624
Net assets		513,747	6,486,827	3,723,148	2,244,988
Equity					
Issued capital	21	34,125,003	29,204,220	34,125,003	29,204,220
Reserves	23	299,112	2,344,073	1,487,381	1,179,626
Accumulated losses	24	(33,734,933)	(25,493,808)	(31,889,236)	(28,138,858)
Total equity attributable to equity holders of the company		689,182	6,054,485	3,723,148	2,244,988
Non controlling interest	23.5	(175,435)	432,342	–	–
Total equity		513,747	6,486,827	3,723,148	2,244,988

Notes to the financial statements are included on pages 34 to 79.

Financial Statements

Statement of changes in equity

For the financial year ended 30 June 2010

Consolidated									
	Issued capital and contributed equity	Investment revaluation reserve	Foreign currency translation reserve	Share based payments reserve	Other reserves	Accumulated losses	Attributable to owners of the parent	Non controlling interest	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2008	28,081,038	1,643,040	27,526	1,852,666	–	(12,434,847)	19,169,423	136,557	19,305,980
Movement in available-for-sale investments	–	(1,285,796)	–	–	–	–	(1,285,796)	–	(1,285,796)
Movement in foreign exchange values	–	–	106,637	–	–	–	106,637	156,611	263,248
Loss for the year	–	–	–	–	–	(13,058,961)	(13,058,961)	(51,719)	(13,110,680)
Total comprehensive income for the period	–	(1,285,796)	106,637	–	–	(13,058,961)	(14,238,120)	104,892	(14,133,228)
Placement of shares	750,000	–	–	–	–	–	750,000	–	750,000
Exercise of options	375,000	–	–	–	–	–	375,000	–	375,000
Issue of shares in subsidiary	–	–	–	–	–	–	–	190,893	190,893
Share issue costs (note 21.1)	(1,818)	–	–	–	–	–	(1,818)	–	(1,818)
Balance at 30 June 2009	29,204,220	357,244	134,163	1,852,666	–	(25,493,808)	6,054,485	432,342	6,486,827

Financial Statements

Statement of changes in equity (cont'd)

For the financial year ended 30 June 2010

Consolidated									
	Issued capital and contributed equity	Investment revaluation reserve	Foreign currency translation reserve	Share based payments reserve	Other reserves	Accumulated losses	Attributable to owners of the parent	Non controlling interest	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2009	29,204,220	357,244	134,163	1,852,666	–	(25,493,808)	6,054,485	432,342	6,486,827
Loss for the year	–	–	–	–	–	(8,241,125)	(8,241,125)	(241,614)	(8,482,739)
Movement in foreign exchange values	–	–	(246,987)	–	–	–	(246,987)	(25,649)	(272,636)
Revaluation of other financial assets (note 23.1)	–	(202,860)	–	–	–	–	(202,860)	–	(202,860)
Total comprehensive income for the period	–	(202,860)	(246,987)	–	–	(8,241,125)	(8,690,972)	(267,263)	(8,958,235)
Recognition of share-based payments (note 23.3)	–	–	–	725,630	–	–	725,630	–	725,630
Reversal from forfeiture of options	–	–	–	(221,410)	–	–	(221,410)	–	(221,410)
Issue of shares	4,710,814	–	–	–	–	–	4,710,814	–	4,710,814
Issue of shares in subsidiary	–	–	–	–	–	–	–	17,072	17,072
Share issue cost (21.1)	(145,637)	–	–	–	–	–	(145,637)	–	(145,637)
Exercise of options (note 21.1)	355,606	–	–	–	–	–	355,606	–	355,606
Difference arising on increased control of subsidiary	–	–	–	–	(2,099,334)	–	(2,099,334)	(357,586)	(2,456,920)
Balance at 30 June 2010	34,125,003	154,384	(112,824)	2,356,886	(2,099,334)	(33,734,933)	689,182	(175,435)	513,747

Notes to the financial statements are included on pages 34 to 79.

Financial Statements

Statement of changes in equity

For the financial year ended 30 June 2010

Parent	Issued capital and contributed equity	Investment revaluation reserve	Share based payments reserve	Accumulated losses	Total
	\$	\$	\$	\$	\$
Balance at 1 July 2008	28,081,038	1,643,041	822,381	(15,735,437)	14,811,023
Movement in available-for-sale investments	–	(1,285,796)	–	–	(1,285,796)
Loss for the year	–	–	–	(12,403,421)	(12,403,421)
Total comprehensive income for the period	–	(1,285,796)	–	(12,403,421)	(13,689,217)
Placement of shares	750,000	–	–	–	750,000
Exercise of options	375,000	–	–	–	375,000
Share issue costs (note 21.1)	(1,818)	–	–	–	(1,818)
Balance at 30 June 2009	29,204,220	357,245	822,381	(28,138,858)	2,244,988
Balance at 1 July 2009	29,204,220	357,245	822,381	(28,138,858)	2,244,988
Loss for the year	–	–	–	(3,750,378)	(3,750,378)
Revaluation of other financial assets (note 23.1)	–	(202,860)	–	–	(202,860)
Total comprehensive income for the period	–	(202,860)	–	(3,750,378)	(3,953,238)
Recognition of share-based payments (note 23.3)	–	–	732,026	–	732,026
Reversal from forfeiture of options	–	–	(221,410)	–	(221,410)
Issue of shares	4,710,814	–	–	–	4,710,814
Share issue costs (note 21.1)	(145,637)	–	–	–	(145,637)
Exercise of options (note 21.1)	355,606	–	–	–	355,606
Balance at 30 June 2010	34,125,003	154,385	1,322,997	(31,889,236)	3,723,148

Notes to the financial statements are included on pages 34 to 79.

Financial Statements

Cash flow statement

For the financial year ended 30 June 2010

	Note	Consolidated		Company	
		2010 \$	2009 \$	2010 \$	2009 \$
Cash flows from operating activities					
Receipts from customers		1,795,281	1,595,065	48,452	20,064
Interest and finance costs paid		(59,335)	(6,851)	(59,335)	(6,851)
Payments to suppliers and employees		(4,689,550)	(2,645,074)	(1,100,347)	(693,206)
Sundry Income		27,520	–	27,022	–
Income tax paid		–	(124,300)	–	–
Net cash used in operating activities	27	(2,926,084)	(1,181,160)	(1,084,208)	(679,993)
Cash flows from investing activities					
Interest received		1,201	16,184	1,201	10,052
Payment for equity investment		–	(2,187,866)	–	(2,187,866)
Deposits on investment		–	(333,618)	–	(333,618)
Payment for plant and equipment		(192,204)	(2,492)	(192,204)	–
Payment for patent		–	(216,414)	–	–
Proceeds from sale of equity investments		118,118	728,611	118,118	728,611
Loans to associate entity	31(d)	(2,800,000)	(100,000)	(2,800,000)	(100,000)
Payment for deposits		(34,412)	–	(34,412)	–
Amount advanced to controlled entities		–	–	(1,495,172)	–
Payment for increased shareholding in subsidiaries and associates		(2,485,796)	(1,000,000)	(2,485,796)	(1,000,000)
Loan repaid by associate entity		100,000	–	100,000	–
Net cash used in investing activities		(5,293,093)	(3,095,595)	(6,788,265)	(2,882,821)
Cash flows from financing activities					
Proceeds from issue of shares		4,950,220	1,125,000	4,933,148	1,125,000
Proceeds from borrowings		5,225,127	2,475,000	5,225,127	2,475,000
Repayment of borrowings		(2,365,602)	–	(2,365,602)	–
(Repayment)/proceeds from convertible notes		–	–	–	–
Proceeds from issue of shares in controlled entity		–	735,867	–	–
Capital raising costs		(125,637)	(1,818)	(125,637)	(1,818)
Net cash provided by financing activities		7,684,108	4,334,049	7,667,036	3,598,182
Net (decrease) / increase in cash and cash equivalents		(535,069)	57,294	(205,437)	35,368
Cash and cash equivalents at the beginning of the financial year		891,555	783,339	223,245	187,877
Effect of movement in exchange rates on cash balances		(130,383)	50,922	–	–
Cash and cash equivalents at the end of the financial year		226,103	891,555	17,808	223,245

Notes to the financial statements are included on pages 34 to 79.



Notes to the financial statements

For the financial year ended 30 June 2010

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1. General information

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

Registered office

Level 9, 175 Collins Street,
Melbourne VIC 3000

Principal place of business

Level 9, 175 Collins Street,
Melbourne VIC 3000

2. Summary of accounting policies

Statement of compliance

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

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

The financial report has been prepared in accordance with Accounting Standards and Interpretations. Accounting Standards include Australian equivalents to International Financial Reporting Standards ('A-IFRS'). Compliance with A-IFRS ensures that the financial statements and notes of the Company and the Group comply with International Financial Reporting Standards ('IFRS').

Basis of preparation

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

2. Summary of accounting policies (cont'd)

The financial statements were authorised for issue by the directors on 22 September 2010.

Critical Accounting Estimates and Judgements

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

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

The key critical accounting estimates and judgments are:

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

Adoption of new and revised Accounting Standards

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current annual reporting period beginning 1 July 2009. Details of the impact of the adoption of these new accounting standards are set out in the individual accounting policy notes set out below. The Group has adopted the following Standards as listed below which only impacted on the Group's financial statements with respect to disclosure:

AASB 101 'Presentation of Financial Statements (as amended August 2007)

AASB 8 'Operating Segments'

AASB 2007-3 'Amendments to Australian Accounting Standards arising from AASB 8'

AASB 2009-2 'Amendments to Australian Accounting Standards – Improving Disclosures about Financial Instruments'

AASB 3 Business Combinations (2008)

AASB 127 Consolidated and Separate Financial Statements (2008)

AASB 2008-3 Amendments to Australian Accounting Standards arising from AASB 3

2. Summary of accounting policies (cont'd)

Standards and Interpretations issued not yet effective

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

Initial application of the following Standards and Interpretations is not expected to have any material impact to the financial report of the consolidated entity and the company:

Standard/Interpretation	Effective for annual reporting periods beginning on or after
AASB 2009-5 'Further amendments to Australian Accounting Standards arising from the annual improvement process'	1 January 2010
AASB 2009-8 'Amendments to Australian Accounting Standards – Group Cash-Settled Share-based Payment Transactions'	1 January 2010
AASB 2009-10 'Amendments to Australian Accounting Standards – Classification of Rights Issues'	1 February 2010
AASB 2009-14 'Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement'	1 January 2011
AASB 124 'Related Party Disclosures (revised 2009)'	1 January 2011
AASB 9 'Financial Instruments'	1 January 2013
Interpretation 19 'Extinguishing Financial Liabilities with Equity Instruments'	1 July 2010

These Standards and Interpretations will be first applied in the financial report of the Group that relates to the annual reporting period beginning after the effective date of each pronouncement.

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

(a) Going concern

The consolidated entity incurred a loss after tax attributable to equity holders of the company for the period of \$8,241,125 with net cash outflows from operating activities of \$2,926,084. Subsequent to year end, the company disposed of 91% of its investment in Rum Jungle Limited for proceeds of \$1.6 million. Notwithstanding the losses incurred from normal operations, the directors consider it appropriate to prepare the financial report on a going concern basis, which contemplates the continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of the business, due to the following reasons:

- the ability to sell non-core investments held in listed entities which have been disclosed in the balance sheet at fair value of \$1.8 million;

- proceeds of up to \$2.7 million from the repayment of debt due from related parties which is largely dependent upon the related party conducting a successful rights issue as announced to ASX subsequent to year end; and
- the operating business activities of the consolidated entity which are expected to achieve positive operating cashflows for 2011 subject to the successful execution of long-term agreements with customers of Global Geothermal Limited which are currently being negotiated by the consolidated entity.

In the event that the consolidated entity is unsuccessful in the matters set out above, significant uncertainty exists as to whether the company and the consolidated entity could continue as going concerns. If the company and the consolidated entity are unable to continue as going concerns they may be required to realise their assets and

2. Summary of accounting policies (cont'd)

extinguish their liabilities other than in the normal course of business and at amounts different to those stated in the financial report.

No adjustments have been made in the financial report relating to the recoverability and classification of the asset carrying amounts or the amount and classification of liabilities that might be necessary should the company and the consolidated entity not continue as going concerns

(b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) (referred to as 'the Group' in these financial statements). A controlled entity is any company in which Wasabi Energy Limited has the power to control the financial and operating policies of the entity so as to obtain benefits from its activities.

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

(c) Borrowing costs

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

(d) Cash and cash equivalents

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

(e) Financial assets

Investments are recognised and derecognised on trade date where the purchase order or sale of an

investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs except for those financial assets classified as at fair value through profit or loss which are initially measured at fair value.

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

Other financial assets are classified in the following categories: financial assets 'at fair value through profit or loss', 'held-to-maturity investments', 'available-for-sale' financial assets, and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

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

At fair value through profit or loss

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

2. Summary of accounting policies (cont'd)

Available-for-sale financial assets

Listed investments in equity securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, and foreign exchange gains and losses on available for sale monetary items, are recognised as a separate component of equity. When an investment is derecognised, the cumulative gain or loss in equity is transferred to profit or loss.

Loans and receivables

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

Interest is recognised by applying the effective interest rate.

Impairment of financial assets

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

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

Interest and dividends

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

Classification as debt or equity

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

Equity instruments

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

(g) Foreign currency

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

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise.

(h) Impairment of other tangible and intangible assets

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication of impairment exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When the asset does not generate

2. Summary of accounting policies (cont'd)

cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of the asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in the profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

(i) Income taxes

Current tax

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

Deferred tax

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

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised.

However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from the initial recognition of goodwill.

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

2. Summary of accounting policies (cont'd)

extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

Current and deferred tax for the period

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

(j) Inventories

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

(k) Property, plant and equipment

Plant and equipment

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

their present value as at the date of acquisition.

Depreciation

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

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

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

(l) Non-current assets held for sale

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

(m) Provisions

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

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

2. Summary of accounting policies (cont'd)

the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

(n) Revenue

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

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Sale of goods

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

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

Rendering of services

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

- installation fees are recognised by reference to the stage of completion of the installation, determined as the proportion of the total time

expected to install that has elapsed at the end of the reporting period;

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

Royalties

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

Dividend and interest revenue

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

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

Construction contracts

Where the outcome of a construction contract

2. Summary of accounting policies (cont'd)

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

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

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

(o) Goods and services tax

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

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

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

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

(p) Investments in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary

nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

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

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

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

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

(q) Share-based payments

Equity-settled share-based payments with employees and others providing similar services are measured at the fair value of the equity instrument

2. Summary of accounting policies (cont'd)

at the grant date. Fair value is measured by use of a binomial model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations. Further details on how the fair value of equity-settled share-based transactions has been determined can be found in note 32.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest.

At each reporting date, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss over the remaining vesting period, with corresponding adjustment to the equity-settled employee benefits reserve.

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

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

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

(r) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is

determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

(s) Lease payments

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

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

(t) Employee benefits

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

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

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

3. Segment information

The Group has adopted AASB 8 Operating Segments and AASB 2008-3 Amendments to Australian Accounting Standards arising from AASB 8 with effect from 1 July 2009. AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. In contrast, the predecessor Standard (AASB 114 Segment Reporting) required an entity to identify two sets of segments (business and geographical), using a risks and rewards approach, with the entity's 'system of internal financial reporting to key management personnel' serving only as the starting point for the identification of such segments. As a result, following the adoption of AASB 8, the identification of the Group's reportable segments has changed.

In prior years, segment information was based on the Group activities in each country. However, information reported to the Group's Chief Executive Officer for the purposes of resource allocation and assessment of performance is now currently more specifically focused on key business segments. The Group's reportable segments under AASB 8 are therefore as follows:

- Investments
- Geothermal

The Melbourne office segment provides administration support and is responsible for the investment activities of the groups.

The Geothermal segment located in the US and UK manages the geo thermal activities of the group.

Information regarding these segments is

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

3. Segment information (cont'd)

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

	Revenue		Segment loss	
	2010 \$	2009 \$	2010 \$	2009 \$
Continuing operations				
Investments	–	45	(3,588,600)	(12,403,421)
Geothermal	756,532	2,674,138	(3,156,791)	(407,712)
Total of all Segments	756,532	2,674,183	(6,745,391)	(12,811,133)
Unallocated items				
Share of loss of associate			(1,737,348)	(299,547)
Total loss before tax			(8,482,739)	(13,110,680)
Exchange reserve arising on translation of foreign operations			(272,636)	263,248
Gain / (loss) on available-for-sale investments taken to equity			(202,860)	(1,285,796)
Total comprehensive income for the period			(8,858,235)	(14,133,228)

The revenue reported above represents the revenue generated from external customers.

Segment loss represents the loss incurred by each segment without the allocation of share of losses of associate, interest revenue, change in fair value of financial assets classified as fair value through profit or loss, finance costs and income tax expense. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

Notes to the Financial Statements

3. Segment information (cont'd)

(ii.) Segment assets

	2010 \$	2009 \$
Investments	7,622,593	3,797,075
Geothermal	439,537	2,171,173
Total segment assets	8,062,130	5,968,248
Unallocated assets	566,178	4,070,290
Total assets	8,628,308	10,038,538

(iii.) Segment liabilities

Investments	7,283,353	2,760,773
Geothermal	831,208	790,938
	8,114,561	3,551,711

(iv.) Other segment information

	Depreciation and amortization		Additions to non-current assets	
	2010 \$	2009 \$	2010 \$	2009 \$
Investments	19,276	705	193,807	–
Geothermal	19,579	682	1,566	3,173
	38,855	1,387	195,373	3,173

(v.) Geographical information

	Revenue from external customers		Non-current assets	
	2010 \$	2009 \$	2010 \$	2009 \$
Australia	–	45	1,127,880	7,183,782
UK	–	2,121,680	197,458	216,414
USA	756,532	552,458	3,435	2,492
	756,532	2,674,183	1,328,773	7,402,688

4. Revenue

	Consolidated		Company	
	2010 \$	2009 \$	2010 \$	2009 \$
Engineering services	663,141	2,165,921	–	–
Equipment sales	93,391	334,131	–	45
Royalties	–	174,131	–	–
	756,532	2,674,183	–	45

All revenue relates to continuing operations.

5. Finance costs

	Consolidated		Company	
	2010 \$	2009 \$	2010 \$	2009 \$
Interest and expenses – Director related	101,490	–	101,490	–
Interest – other	169,054	302,453	168,738	302,453
	270,544	302,453	270,288	302,453
Weighted average rate of funds borrowed is 6.4% (2009 – 10%)				

6. Loss for the year

(a) Gains and losses

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

	Consolidated		Company	
	2010 \$	2009 \$	2010 \$	2009 \$
Gain on disposal of investments classified as available for sale	10,719	–	10,719	–
Impairment of assets	(168,262)	(15,174,495)	(3,786,456)	(11,340,692)
Net foreign exchange gains/(losses)	64,527	(13,185)	60,870	(7,021)
	(96,016)	(15,187,680)	(3,714,867)	(11,347,713)

(b) Other expenses

Loss for the year includes the following expenses:

	Consolidated		Company	
	2010 \$	2009 \$	2010 \$	2009 \$
Rental expenses	89,017	42,728	67,304	42,728
Depreciation of plant and equipment	19,899	1,387	19,276	705
Amortisation of intangibles	18,956	–	–	–
Employee benefit expense:				
Defined contribution plans	15,473	17,100	15,473	17,100
Share based payments (note 35 (i))	504,220	–	510,616	–
Salaries and wages	1,876,713	1,415,953	226,037	330,152
	2,524,278	1,477,168	838,706	390,685

7. Income taxes

Income tax recognised in profit or loss

	Consolidated		Company	
	2010 \$	2009 \$	2010 \$	2009 \$
Deferred tax benefit relating to the origination and reversal of temporary timing differences and tax losses	-	1,661,901	-	85,605
Total tax benefit	-	1,661,901	-	85,605
The prima facie income tax expense on pre-tax accounting profit / (loss) from operations reconciles to the income tax expense in the financial statements as follows:				

Loss before tax from continuing operations	(8,482,739)	(14,772,581)	(3,750,379)	(12,489,026)
Income tax benefit calculated at 30%	(2,544,822)	(4,431,774)	(1,125,113)	(3,746,708)
Effect of expenses that are not deductible in determining taxable income:	815,213	3,748,689	262,065	3,191,323
Effect of temporary differences	466,021	1,576,296	481,359	-
Effect of deferred tax losses not brought to account	1,263,678	683,085	381,689	555,385
Effect of deferred tax assets not previously brought to account	-	85,605	-	85,605
Income tax credit recognized in profit or loss	-	1,661,901	-	85,605
The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law. There has been no change in the corporate tax rate when compared with the previous reporting period.				

7. Income taxes (cont'd)

Unrecognised deferred tax balances	Consolidated		Company	
	2010 \$	2009 \$	2010 \$	2009 \$
The following deferred tax assets have not been brought to account:				
- tax losses – revenue	2,825,332	1,561,654	1,396,153	1,014,464
- tax losses – capital	368,669	368,669	368,669	368,669
	3,194,001	1,930,323	1,764,822	1,383,133
The deductible temporary differences and tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future tax profit will be available against which the group can utilise the benefits therefrom.				

Recognised deferred assets and tax liabilities	Consolidated		Company	
	2010 \$	2009 \$	2010 \$	2009 \$
The following deferred tax balances have been brought to account:				
Deferred tax assets				
- Investments	122,096	197,994	-	-
- Provisions	46,463	39,125	18,261	-
Deferred tax liabilities				
- Deferred revenue	(150,298)	(237,119)	-	-

8. Trade and other receivables: current

	Consolidated		Company	
	2010 \$	2009 \$	2010 \$	2009 \$
Trade receivables	343	1,167,662	343	8,005
Goods and services tax recoverable	54,281	–	23,931	–
Other receivables	11,283	111,447	11,283	111,447
Receivables from associates (note 31)	2,896,562	–	2,896,562	–
	2,962,469	1,279,109	2,932,119	119,452

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

9. Other financial assets: current

	Consolidated		Company	
	2010 \$	2009 \$	2010 \$	2009 \$
Financial assets carried at fair value through profit or loss (FVTPL)				
Held for trading derivatives that are not designated in hedge accounting relationships (i)	531,093	–	531,093	–
Held for trading non-derivative financial assets (ii)	1,423,870	–	1,423,870	–
	1,954,963	–	1,954,963	–

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

- i. The fair value of the options held in listed entities has been determined using the Black-Scholes option pricing method
- ii. The fair value of the share has been determined with reference to quoted market prices.

10. Assets classified as held-for-sale

	Consolidated		Company	
	2010 \$	2009 \$	2010 \$	2009 \$
Investments in listed entity (i)	2,156,000	–	2,156,000	–
	2,156,000	–	2,156,000	–

- i. The fair value has been determined with reference to quoted market price less costs to sell.
- ii. The group intends to dispose its holding in Rum Jungle Uranium in the next 12 months. This investment was previously treated as an investment in associate. Subsequent to year end 91% of the total investment held was sold for gross proceeds \$1.6m.

11. Other current assets

	Consolidated		Company	
	2010 \$	2009 \$	2010 \$	2009 \$
Deposits	–	333,618	–	333,618
Prepayments	–	131,568	–	7,268
	–	465,186	–	340,886

12. Trade and other receivables: non-current

	Consolidated		Company	
	2010 \$	2009 \$	2010 \$	2009 \$
Loans to:				
Subsidiary entity (i)	–	–	1,650,998	–
Rental bond	34,412	–	34,412	–
	34,412	–	1,685,410	–

i. The loan to subsidiary entity Global Geothermal is payable on demand. Interest is payable at 3% above US Federal Reserve rate per annum. The intention of the company is to convert this loan to equity in Global Geothermal.

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

	Consolidated		Company	
	2010 \$	2009 \$	2010 \$	2009 \$
Investments in listed entities (i)	350,701	2,705,377	350,701	2,705,377
	350,701	2,705,377	350,701	2,705,377

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

14. Investments accounted for using the equity method

	Consolidated	
	2010 \$	2009 \$
Reconciliation of movement in investments accounted for using the equity method:		
Balance at 1 July 2009	4,070,290	6,333,710
Reclassification as asset held for sale	(3,809,685)	–
Additional investment in associate	2,387,087	400,000
Share of losses	(1,737,348)	(299,547)
Impairment charge	(344,166)	(2,363,873)
Balance at 30 June 2010	566,178	4,070,290

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

Name of entity	Country of incorporation	Principal activity	Ownership interest	
			2010 %	2009 %
Associates				
Aqua Guardian (i)	Australia	Water conservation	42.1	36.7
Rum Jungle Uranium (ii)	Australia	Uranium exploration	35.2	35.2
Australian Renewable Fuels (iii)	Australia	Bio diesel	24.6	14.0
<p>(i.) The fair value of Aqua Guardian is \$27,656 (2009: \$154,290).</p> <p>(ii.) During the period the company changed its focus to renewable energy and decided to re-evaluate non core assets, reclassifying its investment in Rum Jungle Uranium Limited as a held for sale investment. As at the date of reclassification, the carrying value of the investment was frozen at its equity accounted carrying value of \$3,809,685; with no impairment recorded. As at 30 June 2010 the fair value of the investment has declined, resulting in a loss of \$1,653,685 being recorded against profit and loss (note 10).</p> <p>(iii.) On 20 July 2009, the group exercised significant influence over Australian Renewable Fuels (ARF) through increasing its ownership to 24.6% reclassifying the investment as an equity accounted investment. The fair value of Australian Renewable Fuels is \$1,705,254. This is based on the price quoted on the Australian Securities Exchange as at 30 June 2010.</p>				

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

	Consolidated	
	2010 \$	2009 \$
Total assets	10,187,283	18,800,288
Total liabilities	(5,275,118)	(503,302)
Net assets	4,912,165	18,296,986
Group's share of associates' net assets	1,215,527	6,446,848
Financial performance		
Total revenue	2,867,263	712,908
Total loss for the year before tax	(4,027,868)	(1,548,429)
Income tax expense	-	-
Net loss for the year	(4,027,868)	(835,521)
Group's share of associate's loss	(1,737,348)	(299,547)

Dividends received from associates

No dividends were received during the year (2009: Nil) from its associate.

Commitments

The Group's share of the exploration commitments and operating leases of associates is disclosed in note 25.

15. Other financial assets: non-current

	Consolidated		Company	
	2010 \$	2009 \$	2010 \$	2009 \$
Investments in associates	–	–	1,732,910	794,864
Investments in unlisted entities at cost	–	12,335	–	12,335
Options in listed entities (i)	–	393,723	–	393,723
Investment in subsidiary	–	–	5,987,266	3,530,346
Less: Impairment for investment in subsidiary	–	–	(5,987,266)	(3,120,674)
	–	406,058	1,732,910	1,610,594
Investments in associates	–	–	1,732,910	794,864
Investments in unlisted entities at cost	–	12,335	–	12,335
Options in listed entities (i)	–	393,723	–	393,723
Investment in subsidiary	–	–	5,987,266	3,530,346
Less: Impairment for investment in subsidiary	–	–	(5,987,266)	(3,120,674)
	–	406,058	1,732,910	1,610,594
(i.) The fair value has been determined using the Black-Scholes option pricing method.				

16. Property, Plant and equipment

Consolidated	Lease Improvements \$	Plant and equipment at cost \$	Total \$
Gross carrying amount			
Balance at 1 July 2008	–	39,826	39,826
Additions	–	3,173	3,173
Disposals	–	–	–
Balance at 1 July 2009	–	42,999	42,999
Additions	152,135	43,238	195,373
Disposals	–	(22,239)	(22,239)
Balance at 30 June 2010	152,135	63,998	216,133
Accumulated depreciation			
Balance at 1 July 2008	–	37,062	37,062
Disposals	–	–	–
Depreciation expense	–	1,387	1,387
Balance at 1 July 2009	–	38,449	38,449
Disposals/write off	–	(22,239)	(22,239)
Depreciation expense	16,597	3,302	19,899
Balance at 30 June 2010	16,597	19,512	36,109
Net book value			
As at 30 June 2009	–	4,549	4,549
As at 30 June 2010	135,538	44,486	180,024

16. Property, Plant and equipment (cont'd)

Consolidated	Lease Improvements \$	Plant and equipment at cost \$	Total \$
Gross carrying amount			
Balance at 1 July 2008	–	22,239	22,239
Additions	–	–	–
Disposals	–	–	–
Balance at 1 July 2009	–	22,239	22,239
Additions	152,135	41,672	193,807
Disposals	–	(22,239)	(22,239)
Balance at 30 June 2010	152,135	41,672	193,807
Accumulated depreciation			
Balance at 1 July 2008	–	19,476	19,476
Disposals	–	–	–
Depreciation expense	–	705	705
Balance at 1 July 2009	–	20,181	20,181
Disposals	–	(22,239)	(22,239)
Depreciation expense	16,597	2,679	19,276
Balance at 30 June 2010	16,597	621	17,218
Net book value			
As at 30 June 2009	–	2,058	2,058
As at 30 June 2010	135,538	41,051	176,589

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

	Consolidated		Company	
	2010 \$	2009 \$	2010 \$	2009 \$
Lease improvements	16,597	–	16,597	–
Plant and equipment	3,302	1,387	2,679	705
	19,899	1,387	19,276	705

17. Intangibles

	Consolidated	
	Patent \$	Total \$
Gross carrying amount		
Balance at beginning of year	227,471	227,471
Balance at 30 June 2010	227,471	227,471
Accumulated amortisation and impairment		
Balance at beginning of year	11,057	11,057
Amortisation expense	18,956	18,956
Balance at 30 June 2010	30,013	30,013
Net book value		
As at 30 June 2009	216,414	216,414
As at 30 June 2010	197,458	197,458
The costs relate to worldwide patent held by Global Geothermal on Kalina Cycle technology.		

18. Trade and other payables

	Consolidated		Company	
	2010 \$	2009 \$	2010 \$	2009 \$
Trade payables (i)	1,118,518	395,711	788,301	391,021
Deferred income (ii)	500,992	790,398	–	–
	1,619,510	1,186,109	788,301	391,021
<p>(i.) The loan secured over 395,000 ordinary shares in Global Geothermal. The loan is payable on 1 January 2014 and attracts an interest rate of 5% per annum.</p> <p>(ii.) The loan is repayable after 30 September 2011 and attracts an interest rate of 7% if paid annually and 10% if paid after the due date.</p>				

19. Borrowings

	Consolidated		Company	
	2010 \$	2009 \$	2010 \$	2009 \$
Loans from:				
Other entities – secured (i)	1,167,270	–	1,167,270	–
Related parties – unsecured (ii)	5,326,617	–	5,326,617	–
Convertible notes	–	2,365,602	–	2,365,602
	6,493,887	2,365,602	6,493,887	2,365,602
Disclosed in the financial statements as:				
Current borrowings	–	2,365,602	–	2,365,602
Non-current borrowings	6,493,887	–	6,493,887	–
	6,493,887	2,365,602	6,493,887	2,365,602
<p>(i.) The loan secured over 395,000 ordinary shares in Global Geothermal. The loan is payable on 1 January 2014 and attracts an interest rate of 5% per annum.</p> <p>(ii.) The loan is repayable after 30 September 2011 and attracts an interest rate of 7% if paid annually and 10% if paid after the due date.</p>				

20. Provisions: Current

	Consolidated		Company	
	2010 \$	2009 \$	2010 \$	2009 \$
Employee benefits	1,164	–	1,164	–
	1,164	–	1,164	–

21. Issued capital and contributed equity

	Consolidated		Company	
	2010 \$	2009 \$	2010 \$	2009 \$
Fully paid ordinary shares				
30th June 2010: 1,425,182,451 (30 June 2009: 919,140,445)	34,125,003	29,204,220	34,125,003	29,204,220

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

	2010		2009	
	No.	\$	No.	\$
21.1 Ordinary shares				
Balance at beginning of year	919,140,445	29,204,220	806,640,445	28,081,038
Exercise of options at 1¢ each	35,560,557	355,606	37,500,000	375,000
Issue of shares at 1.6¢	1,000,000	16,000	–	–
Placement of shares at 1¢ each	–	–	75,000,000	750,000
Conversion of preference shares	459,729,141	4,597,291	–	–
Issue of shares for preference				
Interest	9,752,308	97,523	–	–
Share issue costs	–	(145,637)	–	(1,818)
Balance at end of financial year	1,425,182,451	34,125,003	919,140,445	29,204,220

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

	2010		2009	
	No.	\$	No.	\$
21.2 Convertible preference shares				
Balance at beginning of year	–	–	–	–
Issue of shares	459,729,141	4,597,291	–	–
Conversion to ordinary shares	(459,729,141)	(4,597,291)	–	–
Balance at end of financial year	–	–	–	–

Convertible preference shares issued on 2 July 2009 are entitled to preferential dividend of 7%. If no dividend is declared in a 12 month period, the conversion of preference shares into ordinary will increase by 7% per annum.

The preference shares are convertible into one ordinary share and one unlisted option to acquire an ordinary share at 1¢.

All of the preference shares were converted to ordinary shares on 22 October 2009, after the conversion event occurred, which was the company's shares trading above 1.5¢ for more than 14 consecutive days.

22. Options

	2010 No.	2009 No.
22.1 Options		
Balance at beginning of the year	40,000,000	63,500,000
Issue of options	517,728,721	37,500,000
Exercise of options	(35,570,557)	(37,500,000)
Options expired	(30,000,000)	(23,500,000)
Options forfeited	(10,000,000)	–
Balance at end of financial year	482,158,164	40,000,000
22.2 Options issued in subsidiary		
Balance at the beginning of the year	100,000	100,000
Subdivided 1 to 5	500,000	–
Exercised during the year	(50,000)	–
Balance at end of financial year	450,000	100,000
On 22 April 2010 options in Global Geothermal were subdivided into five for every one on issue.		

23. Reserves

	Consolidated		Company	
	2010 \$	2009 \$	2010 \$	2009 &
Investment revaluation reserve	154,384	357,244	154,385	357,245
Foreign currency translation reserve	(112,824)	134,163	–	–
Share based payment reserve	2,356,886	1,852,666	1,332,997	822,381
Other reserve	(2,099,334)	–	–	–
	299,112	2,344,073	1,487,381	1,179,626

23.1 Investment revaluation reserve

	Consolidated		Company	
	2010 \$	2009 \$	2010 \$	2009 \$
Balance at beginning of year	357,244	1,643,040	357,245	1,643,041
Valuation gain / (loss) recognised	(202,860)	(1,433,901)	(202,860)	(1,433,901)
Deferred tax attributable to loss/gain	–	148,105	–	148,105
Balance at end of year	154,384	357,244	154,385	357,245

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

23.2 Foreign currency translation reserve

	2010 \$		2009 \$	
	Balance at beginning of year		134,163	
Exchange differences arising on translating the net assets of foreign operations		(246,987)		106,637
Balance at end of year		(112,824)		134,163

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

23. Reserves (cont'd)

23.3 Share based payments reserve				
	Consolidated		Company	
	2010 \$	2009 \$	2010 \$	2009 &
Balance at beginning of year	1,852,666	1,852,644	822,381	822,381
Options forfeited during the year	(221,410)	–	(221,410)	–
Recognised during the year	725,630	–	732,026	–
Balance at end of year	2,356,886	1,852,644	1,332,997	822,381

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

23.4 Other reserve		
	Consolidated	
	2010 \$	2009 \$
Balance at beginning of year	–	–
Difference arising on acquisition of further non-controlling interest in Global Geothermal	(2,099,534)	–
Balance at end of year	(2,099,534)	–

The other reserves represent excess consideration paid over the value of the non controlling interest of Global Geothermal acquired during the year (note 29).

23.5 Non-controlling interest		
Balance at beginning of year	432,342	136,557
Share of loss for the year	(241,614)	(51,719)
Movement in foreign exchange values	(25,649)	156,611
Issue of shares in subsidiary	17,072	190,893
Adjustment for (increase)/decrease in controlling interest	(357,586)	–
Balance at end of year	(175,435)	432,342

24. Accumulated losses

	Consolidated		Company	
	2010 \$	2009 \$	2010 \$	2009 &
Balance at beginning of year	(25,493,808)	(12,434,847)	(28,138,858)	(15,735,437)
Net (loss) attributable to members of the parent entity	(8,241,125)	(13,058,961)	(3,750,378)	(12,403,421)
Balance at end of year	(33,734,933)	(25,493,808)	(31,889,236)	(28,138,858)

25. Commitments

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

(a) Operating leases

	Consolidated		Company	
	2010 \$	2009 \$	2010 \$	2009 &
Non-cancellable operating rentals are as follows:				
- Not longer than 1 year	137,652	-	137,652	-
- Longer than 1 year and not longer than 5 years	189,272	-	189,272	-
- Longer than 5 years	-	-	-	-
	326,924	-	326,924	-

Group's share of associates operating leases				
--	--	--	--	--

Non-cancellable operating rentals are as follows:				
- Not longer than 1 year	18,108	-	-	-
- Longer than 1 year and not longer than 5 years	9,290	-	-	-
- Longer than 5 years	-	-	-	-
	27,398	-	-	-

(b) Exploration commitments

	Consolidated		Company	
	2010 \$	2009 \$	2010 \$	2009 &
Group's share of associates operating leases				
- Not longer than 1 year	-	608,960	-	608,960
- Longer than 1 year and not longer than 5 years	-	1,919,456	-	1,919,456
- Longer than 5 years	-	-	-	-
	-	2,528,416	-	2,528,416

26. Subsidiaries

Name of entity	Country of incorporation	Ownership interest	
		2010 %	2009 %
Parent entity			
Wasabi Energy Limited	Australia		
Subsidiaries			
Wasabi Technologies Pty Ltd	Australia	100	100
Evolution Energy Pty Ltd	Australia	50	50
Global Geothermal Limited	United Kingdom	67	94
Its wholly owned group entity being			
Recurrent Engineering LLC	USA	100	100
(i) None of these entities are part of the tax consolidation group.			

27. Cash and cash equivalents

These obligations are not provided for in the financial report and are payable.				
	Consolidated		Company	
	2010 \$	2009 \$	2010 \$	2009 \$
Cash and bank balances	226,103	891,555	17,808	223,245

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

	Consolidated		Company	
	2010 \$	2009 \$	2010 \$	2009 \$
(Loss) for the year	(8,482,739)	(13,110,680)	(3,750,378)	(12,403,421)
Profit on disposal of financial assets	(10,719)	(187,822)	(10,719)	(187,822)
Fair value losses on options	147,956	187,277	147,956	187,277
Gain on derivative assets	(122,863)	–	(122,863)	–
Change in fair value of financial assets	–	–	(1,802,730)	–
Share of associates' loss	1,737,348	299,547	–	–
Depreciation of property, plant and equipment	38,855	1,387	19,276	705
Foreign exchange (gain)/losses	(98,799)	13,186	(60,870)	7,021
Expense recognized in respect of equity-settled share-based payment	510,616	–	510,616	–
Gain on dilution of investment	–	(439,624)	–	–
Impairment of associate	–	(1,575,280)	–	–
Impairment of investments	1,821,947	15,174,494	3,786,456	11,340,692
Interest income received and receivable	(236,366)	–	(236,366)	–
Changes in net assets and liabilities:				
(Increase) / decrease in assets:				
Trade and other receivables	991,205	(1,129,214)	(149,179)	(29,985)
Movement in deferred tax	–	(1,576,296)	–	(85,605)
Increase / (decrease) in liabilities:				
Trade and other payables	776,311	1,286,165	583,430	491,145
Provisions	1,164	–	1,164	–
Income tax paid	–	(124,300)	–	–
Net cash from operating activities	(2,926,084)	(1,181,160)	(1,084,208)	(679,993)

(ii) Non-cash transactions

During the year the company issued

(a) 2,000,000 shares at 1¢ each to pay underwriting commission amounting to \$20,000

(b) 1,000,000 shares at 1.6 cents each to settle creditors amounting to \$16,000

28. Financial instruments

(a) Significant accounting policies

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

(b) Financial Risk Management

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

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

(c) Credit risk management

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

(d) Liquidity risk management

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

that sufficient funds are always available to undertake planned activities.

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

Interest rate sensitivity analysis

(i) Financial assets

As at 30 June 2010, the Group held \$226,103 (2009: \$891,555) in cash and cash equivalents with interest revenue of \$65,943 (2009: \$16,447) for the year then ended. A sensitivity of 1.5% (2009: 1.0%) has been selected as this is considered reasonable given the current interest rate and prior year movements of interest rate in the market. A 1.5% (2009: 1.0%) increase in the cash rate would have resulted in a \$9,710 (2009: \$8,347) increase in interest revenue and equity. A 1.5% (2009: 0.5%) decrease in the cash rate would have resulted in a \$9,710 (2009: \$8,347) decrease in interest revenue and equity.

(ii) Financial liabilities

- (a) As at 30 June 2010 the group owed \$5,326,617 (2009 – NIL) to John Byrne. The loan accrues interest at the rate of 7% per annum. If the interest is not paid within one year from the date of first draw down, the applicable interest rate will be 10%. This will result in interest expenses increasing by \$43,496 to 30 June 2010.
- (b) As at 30 June 2010 the group owed \$1,167,270 (2009 – NIL) to Recurrent Holdings Inc. The loan accrues interest at the rate of 5% per annum. If the interest is not paid annually on the last day of each interest period, then the default rate of 18% compounded monthly will apply. This will result in the interest increasing by \$17,986 to 30 June 2010.

Maturity profile of financial instruments

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

Notes to the Financial Statements

28. Financial instruments (cont'd)

	Weighted Average Effective Interest Rate					
		Less than 1 month \$	1 - 3 months \$	3 months to 1 year \$	1 - 5 years \$	5+ years \$
2010						
Financial assets						
Trade and other receivables	-	2,300	33,257	30,349	-	-
Trade and other receivables related party	-	-	31,822	-	-	-
Loan receivable						
Related party	7.1%	-	-	2,864,740	-	-
Financial liabilities						
Secured loan notes	5%	-	-	-	1,162,270	-
Unsecured loan related party	7%	-	-	-	5,326,617	-
Trade and other payables	-	851,052	121,346	146,120	-	-
2009						
Financial assets						
Trade and other receivables	-	-	1,279,109	-	-	-
Financial liabilities						
Convertible notes	10%	-	-	2,365,602	-	-
Trade and other payables	-	-	1,186,109	-	-	-
Company						
2010						
Financial assets						
Trade and other receivables	-	2,300	33,257	-	-	-
Trade and other receivables - Related party	-	-	31,822	-	-	-
Loan receivable -						
Related party	7.1%	-	-	2,864,740	-	-
Financial liabilities						
Secured loan notes	5%	-	-	-	1,162,270	-
Unsecured loan-related party	7%	-	-	-	5,326,617	-
Trade and other payables	-	590,682	51,500	146,120	-	-
2009						
Financial assets						
Trade and other receivables	-	-	119,452	-	-	-
Financial liabilities						
Convertible notes	-	-	-	-	-	-
Trade and other payables	10%	-	2,365,602	-	-	-
	-	-	391,021	-	-	-

28. Financial instruments (cont'd)**(e) Fair value of financial assets and liabilities****On-balance sheet**

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

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

(g) Other price risks

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

Equity price sensitivity analysis

At 30 June 2010, if the equity prices had been 5% higher or lower:

Other financial assets subject to equity price risk

	Consolidated and Company	
	2010 \$	2009 \$
Options – at fair value (note 9, note 15)	531,093	393,723
Held for trading – at fair value (note 9)	1,423,870	–
Available for sale – shares at fair value (note 13)	350,701	2,705,377

	-5%		+5%	
	Consolidated		Company	
	2010 \$	2009 \$	2010 \$	2009 \$
Change in loss	(113,345)	–	113,345	–
Change in reserves	(15,030)	(151,940)	15,030	118,598
Change in equity	–	–	–	–

Notes to the Financial Statements

28. Financial instruments (cont'd)

Amounts of foreign currency in creditors	Consolidated	
	2010	2009
	\$	\$
Trade Payables (USD)	(382,254)	(795,088)
Trade Receivables (USD)	30,349	1,159,657
Secured borrowing (USD)	(1,174,145)	–
	(1,526,050)	364,569

Movement in USD against AUD	-20%		-20%		+20%		+20%	
	2010	2009	2010	2009	2010	2009	2010	2009
	\$	\$	\$	\$	\$	\$	\$	\$
Change in gain/(loss)	(381,512)	27,523	254,648	(27,523)				
Change in equity	399,811	354,775	(423,336)	(230,746)				

(h) Foreign currency risk management

On-balance sheet

Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities and denominated in a currency that is not the entity's functional currency. The consolidated entity manages foreign currency risk by minimizing the amounts of foreign currency required and buying foreign currency only at the time it is required. Trade payables and trade receivables below are held in the subsidiaries, secured borrowings and loans to subsidiary in United States Dollars (USD).

Average rate applied during the year \$0.88 (2009: \$0.75) and reporting date spot rate \$0.86 (2009: \$0.80).

(i) Capital risk management

Amounts of foreign currency in creditors	Company	
	2010	2009
	\$	\$
Trade Payables (USD)	(52,037)	–
Secured borrowing (USD)	(1,174,145)	–
Loan to subsidiary (USD)	1,650,730	–
	424,548	–

Movement in USD against AUD	Consolidated		Company	
	-20%	-20%	+20%	+20%
	2010	2009	2010	2009
	\$	\$	\$	\$
Change in gain/(loss)	106,137	–	(70,758)	–

28. Financial instruments (cont'd)

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

The Group's capital structure consists of deposits with banks and loans (refer note 19).

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

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

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

Gearing ratio

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

	Consolidated		Consolidated	
	2010 \$	2009 \$	2010 \$	2009 \$
Financial assets				
Debt (i)	6,493,887	2,265,602	6,493,887	2,365,602
Cash and cash equivalents	(226,103)	(891,555)	(17,808)	(223,245)
Net debt	6,267,784	1,374,047	6,476,079	2,142,357
Equity (ii)	513,747	6,486,827	3,723,148	2,244,988
Net debt to equity ratio	1,220%	21%	174%	95%
(i) Debt is defined as long and short-term borrowings, as detailed in note 19.				
(ii) Equity includes all capital and reserves.				

(j) Three tier hierarchy of fair value**Fair value measurements recognised in the statement of financial position**

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

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

28. Financial instruments (cont'd)

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

Reconciliation of Level 3 fair value measurements of financial assets			
	Fair value through profit or loss	Other financial assets	Total 2010
	Unquoted equities 2010	Unquoted equities 2010	
	\$	\$	\$
Opening balance	–	12,335	12,335
Reclassification	12,335	(12,335)	–
Closing balance	12,335	–	12,335

The table above only includes financial assets. Gain or loss for the period related to this financial asset has been recognised in the income statement.

Of the total gains or losses from the period included in profit or loss \$1,228,170 relates to asset-backed securities held at the end of the reporting period.

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

29. Business Combinations

(i) Subsidiary acquired

On 31 July 2009 Wasabi Energy increased its holdings in Global Geothermal Limited from 67.73% to 95.36%. The increased percentage was acquired so as to consolidate its holding and capitalise on acceptance of electricity generation from low grade heat, a technology owned by Global Geothermal called Kalina Cycle ®

(ii) Consideration given

The company transferred a total cash consideration of \$2,456,920 to increase its holding to 95.36%

(iii) Increase in share of assets acquired and liabilities assumed at the date of acquisition

	Global Geothermal
	\$
Current Assets	
Cash and cash equivalents	204,858
Trade and other receivables	313,517
Non-current assets	
Fixed assets	674
Patents	58,508
Current liabilities	
Trade and other payables	(219,971)
	357,586

(iv) Adjustment to equity arising on acquisition

	Global Geothermal
	\$
Consideration transferred	2,456,920
Less: carrying value of non-controlling interest acquired	(357,586)
Goodwill arising on acquisition	2,099,334

Goodwill arose in the acquisition of Global Geothermal Limited because the cost of the combination included a premium. In addition, the consideration effectively included amounts in relation to the benefit of expected synergies, revenue growth and future market development. The excess consideration paid over the value for the non controlling interest of \$2,099,334 has been recorded through equity.

None of the goodwill arising on these acquisitions is expected to be deductible for tax purposes.

(v) Net cash outflow on acquisition of subsidiaries

	Year ended 30 June 2010
	\$
Consideration paid in cash	2,456,920
Less: Cash and cash equivalent	(208,858)
Balances acquired	2,248,062
Included in the loss for the year is \$2,915,177 attributable to additional loss incurred by Global Geothermal Limited	

30. Key management personnel compensation

Details of Key management personnel

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

(i.) Key management personnel compensation

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

	Consolidated		Company	
	2010 \$	2009 \$	2010 \$	2009 \$
Short-term employee benefits	770,086	672,406	206,522	355,000
Post-employment benefits	8,654	17,100	8,654	17,100
Share-based payments	510,616	–	510,616	–
	1,289,356	689,506	725,792	372,100

(ii.) Key management personnel equity holdings

Fully paid ordinary shares of Wasabi Energy Limited

	Balance at 1 July 2009	Granted as compensation	Received on exercise of rights	Net other change	Bal at 30 June 2010
	No.	No.	No.	No. (i)	No.
2010 Directors					
J. Byrne	22,066,667	–	64,260,157	35,537,408	121,864,238
S. Morris	7,500,000	–	8,939,267	–	16,436,267
R. Reynolds	3,400,000	–	13,542,627	1,560,000	18,442,627
R. Vallender	–	–	5,106,438	–	5,106,438
M. Jacques	–	–	–	4,000,000	4,000,000
T Wise	18,585,738	–	–	(18,585,738)	–
2010 Senior Management					
A. Davey (i)	104,000	–	53,106	–	157,106
K. Thurairasa (ii)	40,000	–	20,425	873,000	953,425
(i) A.Davey - appointed 1 July 2009					
(ii) K.Thurairasa - Appointed 1 July 2009					

30. Key management personnel compensation (cont'd)

	Balance at 1 July 2008	Granted as compensation	Received on exercise of rights	Net other change	Bal at 30 June 2010
	No.	No.	No.	No. (i)	No.
2009 Directors					
J. Byrne	-	-	-	22,066,667	22,066,667
S. Morris	7,500,000	-	-	-	7,500,000
R. Reynolds	3,400,000	-	-	-	3,400,000
R. Vallender	-	-	-	-	-
	18,898,429	-	-	(316,691)	18,585,738
(i) Shares traded on the open market					
No other key personnel hold or traded ordinary shares during the year.					

30. Key management personnel compensation (cont'd)

Options of Wasabi Energy Limited

	Balance at 1 July 2009	Granted as compensation	Exercised	Expired	Bal at 30 June 2010	
	No.	No.	No.	No.	No.	
2010 Directors						
J. Byrne	–	20,000,000	–	–	20,000,000	
S. Morris	10,000,000	10,000,000	–	(10,000,000)	10,000,000	
R. Reynolds	10,000,000	10,000,000	–	(10,000,000)	10,000,000	
R. Vallender	10,000,000	10,000,000	–	(10,000,000)	10,000,000	
M. Jacques	–	–	–	–	–	
T. Wise (i)	10,000,000	–	–	(10,000,000)	–	
2010 Senior Management						
A. Davey	–	8,000,000	–	–	8,000,000	
K. Thurairasa	–	–	–	–	–	

	Balance at 1 July 2008	Granted as compensation	Exercised	Expired	Bal at 30 June 2009	
	No.	No.	No.	No.	No.	
2009 Directors						
S. Morris	–	10,000,000	–	–	10,000,000	
R. Reynolds	10,000,000	–	–	–	10,000,000	
R. Vallender	10,000,000	–	–	–	10,000,000	
T. Wise	–	10,000,000	–	–	10,000,000	
M. Jacques	–	–	–	–	–	
T. Wise (i)	10,000,000	–	–	(10,000,000)	–	
2009 Senior Management						
P. Macleod	–	–	–	–	–	

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

During the financial year no options (2009: Nil) were exercised by key management personnel.

Further details of the employee share plan and of options granted during the 2010 and 2009 financial years are contained in notes 34 to the financial statements.

(i) T. Wise resigned on 9 September 2009; accordingly 10,000,000 options were forfeited on that date.

	Bal vested at 30 June 2010	Vested but not exercisable	Vested and exercisable	Rights vested during year
	No.	No.	No.	No.
	20,000,000	–	20,000,000	20,000,000
	10,000,000	–	10,000,000	10,000,000
	10,000,000	–	10,000,000	10,000,000
	10,000,000	–	10,000,000	10,000,000
	–	–	–	–
	–	–	–	–
	8,000,000	–	8,000,000	8,000,000
	–	–	–	–

	Bal vested at 30 June 2009	Vested but not exercisable	Vested and exercisable	Rights vested during year
	No.	No.	No.	No.
	10,000,000	–	10,000,000	10,000,000
	10,000,000	–	10,000,000	–
	10,000,000	–	10,000,000	–
	10,000,000	–	10,000,000	10,000,000
	–	–	–	–
	–	–	–	–
	–	–	–	–

31. Related party transactions

(a) Equity interests in related parties

Equity interests in subsidiaries

Details of the percentage of ordinary shares held in subsidiaries are disclosed in note 25 to the financial statements.

(b) Equity interests in associates

Details of interests in associates are disclosed in note 14 to the financial statements.

(c) Transactions with key management personnel

(i.) Key management personnel compensation

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

(ii.) Loans to key management personnel

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

(iii.) Other transactions with key management personnel of the Group

There were no other transactions with key management personnel of the Group during the financial year or in prior year except for \$5,225,127 advanced by John Byrne to the Company.

The loan carries an interest rate of 7% per annum. If the interest is not paid at the end of the year, then an increased rate of 10% will apply on the outstanding loan balance. Interest payable at year end amounted to \$101,490.

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

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

(d) Transactions with other related parties

Transactions between Wasabi Energy Limited and its related parties

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

- During the year the Company advanced \$2,700,000 to Australian Renewable Fuels an associate company of Wasabi Energy. Interest is payable at 10% per annum. Of this loan \$1,200,000 is payable before February 2011 and \$1,500,000 before April 2011.
- During the financial year the Company advanced \$100,000 to Aqua Guardian Group, an associate company of Wasabi Energy. Interest is payable at 10% per annum. The loan is repayable before May 2011.
- Interest receivable at year end amounted to \$64,740 for both Australian Renewable Fuels and Aqua Guardian Group
- During the year the Company paid \$153,065 for management services and \$34,042 for office cost provided by AGD Mining Pty Ltd, a wholly owned subsidiary of Mandalay Resources Corporation, John Byrne is the Chairman and President of Mandalay Resources Corporation. The services were provided at cost.
- As at 30 June 2010 an amount of \$5,941 was owing from Lysander Minerals Corporation. John Byrne is a director of Lysander Minerals Corporation.

Ultimate parent entity

Wasabi Energy Limited

Subsidiaries

Wasabi Technologies Pty Ltd,
Global Geothermal Limited.

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

Amount owing from Global Geothermal Limited –
\$1,650,998

All amounts advanced to or payable to related parties are unsecured and are subordinate to other liabilities.

31. Related party transactions (cont'd)

The amounts outstanding will be settled in cash or equity in Global Geothermal Limited.

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

Transactions between the Group and its related parties

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

(e) Parent entity

The parent entity in the Group is Wasabi Energy Limited.

32. Remuneration of auditors

	Consolidated		Company	
	2010 \$	2009 \$	2010 \$	2009 \$
Audit and review of the financial report	100,000	121,431	100,000	121,431
Preparation of the tax return	–	16,300	–	16,300
Other non-audit services				
– Related to AIM Listing	112,500	–	112,500	–
	212,500	137,731	212,500	137,731

Other auditors

	Consolidated		Company	
	2010 \$	2009 \$	2010 \$	2009 \$
Audit and review of the financial report	37,435	79,046	–	–
Preparation of the tax return	–	7,051	–	–
	37,435	86,097	–	–

The auditor of Wasabi Energy Limited is Deloitte Touche Tohmatsu (2009 – KPMG)

33. Earnings per share

	Consolidated	
	2010 ¢ per share	2009 ¢ per share
Basic earnings (loss) per share	(0.65)	(1.59)
Diluted earnings (loss) per share	(0.65)	(1.59)

33. Earnings per share (cont'd)

Basic earnings per share

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

	2010 \$	2009 \$
Net Loss (i)	8,241,125	13,058,961
Net Loss is the same amount as loss after tax in the statement of comprehensive income attributable to owners of the parent		

	2010 No.	2009 No.
Weighted average number of ordinary shares for the purposes of basic earnings per share	1,261,146,992	819,380,181

Diluted Earnings (Loss) Per Share

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

34. Share-based payments

During the financial year the company issued 50,000,000 options to Directors as approved by the shareholders on 25 November 2009 and a further 8,000,000 options to officers as approved by the directors on 19 January 2010.

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

	Number of Options	Expiry date	Exercise price \$	Fair value at grant date \$
Tranche 1 (Grant date 25 Nov 2009)	50,000,000	30 Sep 2012	1.6 ¢	1.3 ¢
Tranche 2 (Grant date 19 Jan 2010)	8,000,000	30 Sep 2012	2.0 ¢	1.0 ¢

The weighted average fair value of the options granted during the financial year is 1.3¢. They were priced using a Black-Scholes valuation model. Where relevant, the expected life used in the model has been adjusted based on management's best estimates.

(ii) Exercised during the financial year

No options granted under the employee share option plan were exercised during the financial year:

(iii) Balance at the beginning of the financial year

The share options outstanding at the beginning of the financial year had an exercise price of 3.5¢ and a weighted average remaining contractual life of 152 days.

34. Share-based payments (cont'd)

Option series grant date		
Inputs into the model	25 November 2009	19 January 2010
Grant date share price	2.1¢	1.8%
Exercise price	1.6¢	2.0%
Expected volatility	14.59%	13.58%
Performance right term	(i)	(i)
Dividend yield		
Risk-free interest rate	6.5%	6.25%
Option life	2 yrs, 10 mths	2yrs, 8 mths

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

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

	2010		2009	
	Number of rights	Weighted average exercise price ¢	Number of rights	Weighted average exercise price ¢
Balance at beginning of the financial year	40,000,000	3.25	40,000,000	3.25
Granted during the financial year	58,000,000	1.30	–	–
Forfeited during the financial year	(10,000,000)	3.25	–	–
Expired during the financial year	(30,000,000)	3.25	–	–
Balance at beginning of the financial year	40,000,000	3.25	–	–
Balance at end of the financial year (iii)	58,000,000	1.30	40,000,000	3.25
Exercisable at end of the financial year	58,000,000	1.30	40,000,000	3.25

(iv) Balance at end of the financial year

The share options outstanding at the end of the financial year had an exercise price of 1.3¢ and a weighted average remaining contractual life of 457 days.

(v) Options issued by subsidiary

There were 100,000 employee options on issue in Global Geothermal at the beginning of the year. During the year the options were subdivided into five for every one on issue as a result of Global Geothermal ordinary shares being subdivided into five for every one ordinary share. During the year 50,000 options were exercised and 450,000 options were outstanding at the year end. These options had an exercise price of 34.1¢ (2009: 34.1¢) and a weighted average contractual life of 180 days (2009 : 545 days)

35. Subsequent events

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

- (i) On 10 August 2010 the company increased its holding in Aqua Guardian Group Limited to 50% by investing \$750,000 cash.
- (ii) On 21 July 2010 the company sold 40 million shares in Rum Jungle Uranium for gross proceeds of \$1.6 million, resulting in a loss on disposal of \$0.4 million.

Directors' Declaration

The directors declare that:

- (a) in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable
- (b) in the directors' opinion, the attached financial statements are in compliance with International Financial Reporting Standards, as stated in note 2 to the financial statements
- (c) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity, and
- (d) the directors have been given the declarations required by s.295A of the Corporations Act 2001.

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

On behalf of the Directors



Malcolm Jacques

Executive Director

Melbourne, 22 September 2010

22 September 2010

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

Dear Board Members,

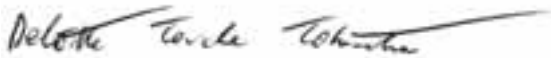
Wasabi Energy Limited

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

As lead audit partner for the audit of the financial statements of Wasabi Energy Limited for the financial year ended 30 June 2010, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours sincerely,



DELOITTE TOUCHE TOHMATSU



Ian Sanders
Partner
Chartered Accountants

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

Report on the Financial Report

We have audited the accompanying financial report of Wasabi Energy Limited, which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, the cash flow statement and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 20 to 61.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's Opinion

In our opinion:

- (a) the financial report of Wasabi Energy Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2010 and of their performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2.

Material Uncertainty Regarding Continuation as a Going Concern

Without qualifying our opinion, we draw attention to Note 2 in the financial report which indicates that the consolidated entity incurred a net loss attributable to owners of the parent of \$8,241,125, with net cash outflows from operating activities of \$2,926,084 for the year ended 30 June 2010. These conditions, along with other matters as set forth in Note 2, indicate the existence of a material uncertainty which may cast significant doubt about the ability of the company and consolidated entity to continue as going concerns and whether they will realise their assets and extinguish their liabilities in the normal course of business and at the amounts stated in the financial report.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 10 to 15 of the directors' report for the year ended 30 June 2010. 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.

Auditor's Opinion

In our opinion the Remuneration Report of Wasabi Energy Limited for the year ended 30 June 2010, complies with section 300A of the *Corporations Act 2001*.



DELOITTE TOUCHE TOHMATSU



Ian Sanders
Partner
Chartered Accountants
Melbourne, 22 September 2010

Shareholder Information

Additional Shareholder Information

Additional information required by the Australian Stock Exchange Listing Rules and not disclosed elsewhere in this report as at 14 October 2010.

Twenty largest Shareholders

	Name of Holder	Number of shares	Percentage Held
1.	JP MORGAN NOMINEES AUSTRALIA LIMITED <CASH INCOME A/C>	377,628,580	26.47
2.	MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED <BERNDALE A/C>	66,500,000	4.66
3.	FITEL NOMINEES LIMITED	61,304,909	4.30
4.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	57,062,684	4.00
5.	CITICORP NOMINEES PTY LIMITED	44,923,282	3.15
6.	XTRACT ENERGY PLC	40,220,892	2.82
7.	MR JOHN JOSEPH BYRNE + MRS MARITZA IVONNE BYRNE <JOHN BYRNE PRVTE PEN FND A/C>	29,531,931	2.07
8.	NATIONAL NOMINEES LIMITED	25,365,063	1.78
9.	NAPIER HOLDINGS SERVICES LIMITED	22,056,091	1.55
10.	M A O'BRIEN MEDICAL PTY LTD <M A O'BRIEN SUPER FUND A/C>	21,282,126	1.49
11.	BELL POTTER NOMINEES LTD <BB NOMINEES A/C>	20,066,405	1.41
12.	OSIRIS CAPITAL INVESTMENTS PTY LTD	16,649,961	1.17
13.	MR STEPHEN PAUL MORRIS	16,436,267	1.15
14.	SOMNUS PTY LTD <SUPER FUND A/C>	15,000,000	1.05
15.	NEFCO NOMINEES PTY LTD	14,981,888	1.05
16.	MR CZESLAW CZAPLA + MR ZDZISLAW CZAPLA	13,750,000	0.96
17.	RHODES MINING LIMITED	13,250,000	0.93
18.	SASSEY PTY LIMITED <AVAGO SUPERANNUATION ACCOUNT>	12,965,413	0.91
19.	SOMNUS PTY LTD <SOMNUS SUPERANNUATION A/C>	12,000,000	0.84
20.	RAMSA PTY LTD <BAILEY SUPER FUND A/C>	11,664,810	0.82
	Total	892,640,302	62.57

Marketable Parcels

The number of shareholders holding less than a marketable parcel is 637

Voting Rights

All shares carry one vote per share without restriction

On Market Buy-back

There is no current on market buy-back

Restricted Securities

The Company does not have any restricted securities on issue

Distribution of shareholdings

Range	Total holders	Units	% of Issued Capital
1 – 1,000	166	57,113	0.00
1,001 – 5,000	156	471,224	0.03
5,001 – 10,000	107	930,318	0.07
10,001 – 100,000	604	28,639,584	2.01
100,001 – 9,999,999,999	569	1,396,542,405	97.89



