

notes to the financial statements

Note 1: Statement of Significant Accounting Policies

The consolidated financial report of Ambre Energy Limited and its controlled entities for the financial year ended 30 June 2008 comprises Ambre Energy Limited as an individual parent entity and controlled entities (together referred to as the consolidated group) and the consolidated group's interest in jointly controlled operations. Ambre Energy Limited (the parent) is an unlisted public company incorporated in and domiciled in Australia.

Basis of preparation

The consolidated financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards, including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the Corporations Act 2001.

The consolidated financial report of Ambre Energy Limited and controlled entities and Ambre Energy Limited as an individual parent entity comply with International Financial Reporting Standards in their entirety.

The consolidated financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied. All amounts are presented in Australian dollars.

The following is a summary of the material accounting policies adopted by the consolidated group in preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

Accounting Policies

(a) Principles of Consolidation

A controlled entity is any entity Ambre Energy Limited has the power to control the financial and operating policies of so as to obtain benefits from its activities.

A list of controlled entities is contained in Note 12 to the financial statements. All controlled entities have a June financial year end with the exception of Millennium Synfuels LLC and Oil-Tech, Inc. which both have a 31 December financial year end. Millennium Synfuels, LLC's year end has been changed to align with the parent entity as at 30 June 2008. Oil-Tech, Inc. was subsequently merged with Ambre Energy Partners, Inc. which has a 30 June financial year end.

Where controlled entities have entered or left the consolidated group during the year, their operating results have been included/excluded from the date control was obtained or until the date control ceased.

Minority equity interests in the equity and results of the entities and results of the entities that are controlled are shown as a separate item in the consolidated financial report.

All inter-company balances and transactions between entities in the consolidated group, including any unrealised profits and losses are eliminated in preparing the consolidated financial statements. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the parent entity.

(b) Income tax

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted as at reporting date.

Note 1: Statement of Significant Accounting Policies (cont'd)

(b) Income tax (cont'd)

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the consolidated group will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Tax Consolidation

Ambre Energy Limited and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. Each entity in the group recognises its own current and deferred tax liabilities, except for any deferred tax liabilities assets resulting from unused tax losses and tax credits, which are immediately assumed by the parent entity. The current tax liability of each group entity is then subsequently assumed by the parent entity. The group notified the Australian Taxation Office that it had formed an income tax consolidated group to apply from 20 October 2006.

(c) Property, plant and equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, accumulated depreciation and impairment losses.

Depreciation

The depreciable amount of all fixed assets, is depreciated on a straight-line basis over their useful lives to the consolidated group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Plant and Equipment	5-50%
Leasehold Improvements	5-7%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposal are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

Note 1: Statement of Significant Accounting Policies (cont'd)

(d) Exploration and Development Expenditure

Exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with clauses of the mining permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on an undiscounted basis.

Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

(e) Financial Instruments

Recognition and initial measurement

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Financial assets at fair value through profit and loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management and within the requirements of AASB 139: Recognition and Measurement of Financial Instruments. Derivatives are also categorised as held for trading unless they are designated as hedges. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the income statement in the period in which they arise.

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at amortised cost using the effective interest method less impairment.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that are intended and able to be held-to-maturity.

Note 1: Statement of Significant Accounting Policies (cont'd)

(e) Financial Instruments (cont'd)

Held-to-maturity investments are recorded at amortised cost using the effective interest method less impairment, with revenue recognised on an effective yield basis.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets, such as marketable equity securities, that are either designated in this category or are not classified in any of the other categories.

Unrealised gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised in equity in the available-for-sale fair value reserve, until the financial asset is sold or impaired, at which point the cumulative gain or loss is transferred to profit or loss.

Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

Derivative Instruments

Derivative instruments are measured at fair value. Gains and losses arising from changes in fair value are taken to the income statement unless they are designated as hedges.

Ambre Energy Limited and Controlled Entities designates certain derivatives as either:

- i. hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or
- ii. hedges of highly probably forecast transactions (cash flow hedges).

At the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions is documented.

Assessments, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items, are also documented.

(i) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedge asset or liability that are attributable to the hedged risk.

(ii) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is deferred to a hedge reserve in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in the hedge reserve in equity are transferred to the income statement in the periods when the hedged item will affect profit or loss.

Note 1: Statement of Significant Accounting Policies (cont'd)

(e) Financial Instruments (cont'd)

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

(f) Impairment of 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 exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Any excess of the assets carrying value over its recoverable amount is expensed to the income statement.

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.

(g) Interests in Joint Ventures

The consolidated group's share of the assets, liabilities, revenue and expenses of joint venture operations are included in the appropriate items of the consolidated financial statements. Details of the consolidated group's interests are shown at Note 10.

The consolidated group's interests in joint venture entities are brought to account using the equity method of accounting in the consolidated financial statements. The parent entity's interests in joint venture entities are brought to account using the cost method.

(h) Intangible Assets

Patents

Patents are recorded at cost less accumulated amortisation and impairment. Amortisation is charged on a straight line basis over their estimated useful lives. The estimated useful life and amortisation method is reviewed at the end of each annual reporting period, with any changes being recognised as a change in accounting estimate.

Research and development costs

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Development costs are capitalised only when technical feasibility studies identify that the project will deliver future economic benefits and these benefits can be measured reliably. Development costs have a finite life and are amortised on a systematic basis matched to the future economic benefits over the useful life of the project.

(i) Foreign Currency Transactions and Balances

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 Ambre Energy Limited and the presentation currency for the consolidated financial statements.

Note 1: Statement of Significant Accounting Policies (cont'd)

(i) Foreign Currency Transactions and Balances (cont'd)

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the income statement, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the income statement.

The financial results and position of foreign operations whose functional currency is different from the group's presentation currency are translated as follows:

- i. assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
- ii. income and expenses are translated at average exchange rates for the period; and
- iii. retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the group's foreign currency translation reserve in the balance sheet. These differences are recognised in the income statement in the period in which the operation is disposed.

(j) Employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave, and sick 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 at the present value of the estimated future cash outflows to be made by the consolidated entity in respect of services provided by employees up to reporting date.

Equity Settled compensation

Equity-settled share-based payments with employees and others providing similar services are measured at the grant date fair value of the equity instruments granted. The fair value of equity instruments granted is based on market prices if available. In the absence of market prices, fair value is estimated, using a valuation technique to estimate what the price of those equity instruments would have been on the measurement date in arm's length transaction between knowledgeable, willing parties.

Note 1: Statement of Significant Accounting Policies (cont'd)

(k) Provisions

Provisions are recognised in the balance sheet when the consolidated group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation, and that outflow can be reliably measured.

(l) Cash and cash equivalents

Cash comprises cash on hand and demand 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.

(m) Revenue

Revenue is measured at the fair value of consideration received or receivable, net of the amount of goods and service tax.

Interest Revenue is recognised as it accrues, taking into account the effective yield on the financial asset.

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

(n) Goods and services tax

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

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

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

(o) Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

(p) Critical Accounting Estimates and Judgments

The directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trend and economic data, obtained both externally and within the group.

Key Judgements

Included in the financial statements are intangibles (note 15), mineral leases and capitalised exploration costs (note 16) and a retort pilot plant (note 14). The value of these assets has been determined by the directors after assessing the value of similar assets and the expected value of the assets (discounted) upon successful commercialisation of these assets. The directors believe that the amounts shown are recoverable and no provision for impairment needs to be made at 30 June 2008.

Note 2: Revenue

	Note	Consolidated Group		Parent Entity	
		2008	2007	2008	2007
		\$	\$	\$	\$
Revenue					
— interest received		139,661	155,991	138,241	155,695
— other revenue		2,035	762	2,035	762
— services revenue	2a	-	-	413,800	368,811
Total revenue		141,696	156,753	554,076	525,268
Other income					
— gain on disposal of intangibles	2b	-	-	-	189,508
— fair value gains		-	53	-	-
		-	53	-	189,508
a. Services revenue from:					
— wholly-owned subsidiaries		-	-	312,600	125,811
— partly owned subsidiaries		-	-	101,200	243,000
Total service revenue		-	-	413,800	368,811
b. Other income from:					
— partly owned subsidiaries		-	-	-	189,508
		-	-	-	189,508

Note 3: Profit for the year

		Consolidated Group		Parent Entity	
		2008	2007	2008	2007
		\$	\$	\$	\$
Expenses					
— Employee benefit expense		1,555,747	508,917	1,116,373	492,894
— Depreciation of plant & equipment		1,030,600	595,904	41,159	11,934
— Amortisation of non current assets:					
— Intangible assets		172,510	104,810	-	-
— Leasehold improvements		1,279	694	-	-
— Impairment of non current assts					
— Goodwill		-	-	-	-
— Share based payments	26	827,100	7,455,162	827,100	7,455,162
— Rental expense on operating leases		92,339	29,952	69,696	10,962
— Research & development costs		2,665,776	366,235	1,685,991	850,188

Note 4: Income tax expense

Note	Consolidated Group		Parent Entity	
	2008	2007	2008	2007
	\$	\$	\$	\$
a. The components of tax expense/(benefit) comprise:				
Current tax	-	(344,942)	-	(344,942)
	-	(344,942)	-	(344,942)
b. The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax as follows:				
Prima facie tax payable on profit from ordinary activities before income tax at 30% (2007: 30%)				
— consolidated group	(2,179,021)	(3,171,738)	-	-
— parent entity	-	-	(1,279,253)	(2,674,844)
	(2,179,021)	(3,171,738)	(1,279,253)	(2,674,844)
Add:				
Tax effect of amounts which are not deductible				
— Entertainment	2,946	2,032	2,946	2,032
— Fines & penalties	82	59	82	59
— Share option expense	248,130	2,513,136	248,130	2,512,501
— Deferred tax asset not brought to account	2,049,166	656,511	1,149,398	160,252
	121,303	-	121,303	-
Less:				
Tax effect of:				
— Tax concessions (research and development)	(121,303)	(344,942)	(121,303)	(344,942)
Income tax attributable to entity	-	(344,942)	-	(344,942)

Where applicable, grants and tax concessions are accrued in the year in which they are receivable.

Potential deferred tax assets at 30% attributable to unused tax losses and unrecognized temporary differences carried forward:

	2,604,381	676,518	1,208,354	180,259
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Potential deferred tax assets have not been brought to account because the Directors do not believe it is appropriate to regard realisation of the deferred tax as probable. These benefits will only be obtained if:

- the Consolidated Entity derives future assessable income of a nature and of an amount sufficient to enable benefit from deduction of the loss to be realised;
- the Consolidated Entity continues to comply with the conditions for deductibility imposed by law; and
- no changes in the tax legislation adversely affect the Consolidated Entity in realising the benefit from the deductions for the loss.

Note 5: Key management personnel compensation

	Note	Consolidated Group		Parent Entity	
		2008	2007	2008	2007
		\$	\$	\$	\$
— Short-term employee benefits		1,123,520	328,963	680,000	302,466
— Post-employment benefits		-	-	-	-
— Other long-term benefits		-	-	-	-
— Share-based payment		283,762	7,321,000	189,175	7,321,000
		<u>1,407,282</u>	<u>7,649,963</u>	<u>869,175</u>	<u>7,623,466</u>

Note 6: Auditors' remuneration

Remuneration of the auditor of the parent entity for:

— auditing or reviewing the financial report		41,698	38,000	41,698	38,000
— taxation services provided by related practice of auditor		17,850	29,550	17,850	29,550
		<u>59,548</u>	<u>67,550</u>	<u>59,548</u>	<u>67,550</u>

— amounts paid to a related practice of the auditor to rent temporary office space with rent paid monthly in advance. At the date of this report the company has moved to new premises unrelated to the auditor.

		<u>75,835</u>	<u>-</u>	<u>75,835</u>	<u>-</u>
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Note 7: Dividends

No dividends were paid or declared during the current or prior year.

Note 8: Cash and cash equivalents

Cash at bank and in hand		<u>12,180,297</u>	<u>3,982,145</u>	<u>9,363,903</u>	<u>3,838,898</u>
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Note 9: Trade and other receivables

Note	Consolidated Group		Parent Entity	
	2008	2007	2008	2007
	\$	\$	\$	\$
CURRENT				
Interest receivable	-	665	-	665
GST receivable	95,691	73,339	34,858	75,817
Payroll tax refundable	5,535	-	5,535	-
Amounts receivable from:				
— other related parties	-	-	-	-
Amounts receivable from:				
— wholly-owned subsidiaries	-	-	1,773,600	-
— partly-owned subsidiaries	-	-	-	-
— key management personnel related entities	-	-	-	-
	<u>101,226</u>	<u>74,004</u>	<u>1,813,993</u>	<u>76,482</u>

Note 10: Interest in joint venture arrangements

On 21 September 2007, agreement was reached with Cockatoo Coal Limited through its subsidiary, SE QLD Coal Pty Ltd for the purchase of its 25% interest in the joint venture with the controlled entity Ambre Energy (Felton) Pty Ltd (*formerly Eastern Mining Corporation Pty Ltd*) ('AEF') comprising AEF's title in or farm-in rights to EPCs 1076, 1137, 1138, 935 and 936.

In settlement of this contract 520,000 Ordinary shares in Ambre Energy Limited were issued on 26 September 2008 under an amendment to the contract dated 21 September 2007 between the parties (see Note 27 iii).

The consolidated group share of assets employed in the joint venture is:

NON-CURRENT ASSETS

Other costs carried forward in respect of areas of interest

— exploration development	16	-	329,654	-	-
		<u>-</u>	<u>329,654</u>	<u>-</u>	<u>-</u>

Note 11: Financial assets

	Note	Consolidated Group		Parent Entity	
		2008	2007	2008	2007
		\$	\$	\$	\$
Available-for-sale financial assets	11a	-	1,574,320	33,055,376	3,469,907
Derivative financial assets	11b	-	1,029,652	-	1,029,652
		-	2,603,972	33,055,376	4,499,559
Less non-current portion		-	(1,574,320)	(33,055,376)	(3,469,907)
Current portion		-	1,029,652	-	1,029,652
a. Available-for-sale Financial Assets Comprise					
Unlisted investments, at cost					
— shares in controlled entities		-	-	33,055,376	1,895,587
— shares in other corporations	11c	-	1,574,320	-	1,574,320
Total available-for-sale financial assets		-	1,574,320	33,055,376	3,469,907

Available-for-sale financial assets comprise investments in the ordinary issued capital of various entities. There are no fixed returns or fixed maturity date attached to these investments.

The fair value of unlisted available-for-sale financial assets cannot be reliably measured as variability in the range of reasonable fair value estimates is significant. As a result, all unlisted investments are reflected at cost. Unlisted available-for-sale financial assets exist within active markets and could be disposed of if required.

	Note	Consolidated Group		Parent Entity	
		2008	2007	2008	2007
		\$	\$	\$	\$
b. Derivative Financial Assets Comprise:					
Rights & Options for shares in Oil-Tech, Inc., a U.S. based oil shale retorting technology company.					
— At Cost		-	1,029,652	-	1,029,652
c. Shares in other corporations include a shareholding in Oil-Tech, Inc., a U.S. based oil shale retorting technology company. 2008:Controlled Entity (2007: 6%)					
— At Cost		-	1,574,320	-	1,574,320

Note 12: Controlled entities

a. **Controlled entities consolidated**

	Country of Incorporation	Percentage Owned (%)*	
		2008	2007
Parent Entity:			
Ambre Energy Limited	Aust		
Subsidiaries of Ambre Energy Limited			
Ambre Energy (Felton) Pty Ltd (<i>formerly Eastern Mining Corporation Pty Ltd</i>)	Aust	100	100
Ambre Energy North America, Inc.	USA	100	-
Ambre Energy Partners, Inc.	USA	100	-
Oil-Tech, Inc.	USA	93	6
Millennium Synfuels, LLC	USA	96	54

* Percentage of voting power is in proportion to ownership

b. **Acquisition of controlled entities**

On 27 November 2006 the parent entity established Millennium Synfuels, LLC , with Ambre Energy Limited entitled to 51% of profits earned from 27 November 2006 (Oil-Tech, Inc 49%) pursuant to a capital contribution agreement with Oil-Tech, Inc. dated 21 October 2006. As at 30 June 2008 the parent entity controlled 96% of Millennium Synfuels, LLC following the acquisition of 93% of Oil-Tech, Inc.

On 26 February 2008 the parent entity established Ambre Energy North America, Inc., (a Delaware corporation) with Ambre Energy Limited entitled to all profits earned from 26 February 2008.

On 16 June 2008 the parent entity established Ambre Energy Partners, Inc (a Utah corporation) with Ambre Energy North America, Inc entitled to all profits earned from 16 June 2008.

The parent entity obtained control (93%) of Oil-Tech, Inc, through the following transactions:

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i) As at 30 June 2007 the parent entity had acquired 6% of Oil-Tech, Inc. (see Note 11c). At that time the following consideration had been paid:

Cash Consideration	<u>1,574,320</u>
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ii) On 24 July 2007 and 24 August 2007 the parent entity exercised its options over certain agreements with Oil-Tech Inc. shareholders to acquire 5,621,500 Oil-Tech Inc. common shares. Under these agreements the following consideration was paid:

Cash consideration	5,797,202
Equity issued as consideration (188,217 ordinary shares)	<u>895,477</u>
Total purchase	<u>6,692,679</u>

iii) Issue of 60,000 Oil-Tech Inc Common stock on 26 October 2007.

Cash consideration	<u>66,723</u>
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Note 12: Controlled entities (cont'd)

b. (cont'd)

iv) On 30 October 2007, control was obtained in Oil-Tech, Inc (89%) by the parent entity through exchange offers (effective date 30 October 2007) with various Oil-Tech, Inc shareholders. the parent entity obtained 10,586,340 Oil Tech common shares. Under these agreements the following consideration was paid:

— Purchase consideration	<u>11,978,918</u>
— Equity issued as consideration (2,714,508 ordinary shares)	<u>11,978,918</u>

v) Under exchange offers (effective date 30 April 2008) with various Oil-Tech, Inc shareholders the parent entity obtained 718,920 Oil Tech common shares. Under these agreements the following consideration was paid:

— Equity issued as consideration (181,855 ordinary shares)	<u>787,647</u>
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In addition, the parent entity acquired a further 8,250,000 Oil-Tech Inc options over common shares

Under the option agreements the following consideration was paid:

— Equity issued as consideration (1,057,697 ordinary shares)	<u>4,699,135</u>
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Total Consideration paid	<u><u>25,799,422</u></u>
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Fair value of equity issued as consideration for purchases of Oil-Tech, Inc securities was determined by reference to the internal market value of shares issued by the company to other non-related third parties during the periods in which Oil-Tech, Inc securities were acquired.

Note 13: Tax

	Consolidated		Parent Entity	
	2008	2007	2008	2007
	\$	\$	\$	\$
a. Assets				
CURRENT				
Income tax receivable	-	414,535	-	414,535

Note 14: Property, plant and equipment

	Consolidated Group		Parent Entity	
	2008	2007	2008	2007
	\$	\$	\$	\$
Plant and equipment:				
At cost	5,443,680	5,317,997	322,039	161,510
Accumulated depreciation	(1,626,504)	(595,904)	(53,093)	(11,934)
Accumulated impairment losses	-	-	-	-
	<u>3,817,176</u>	<u>4,722,093</u>	<u>268,946</u>	<u>149,576</u>
Leasehold improvements				
At cost	20,504	20,664	-	-
Accumulated amortisation	(1,973)	(694)	-	-
Total Leasehold Improvements	<u>18,531</u>	<u>19,970</u>	<u>-</u>	<u>-</u>
Total Plant and Equipment	<u>3,835,707</u>	<u>4,742,063</u>	<u>268,946</u>	<u>149,576</u>
Total Property, Plant and Equipment	<u>3,835,707</u>	<u>4,742,063</u>	<u>268,946</u>	<u>149,576</u>

a. **Movements in Carrying Amounts**

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year.

	Leasehold Improvements	Plant and Equipment	Total
	\$	\$	\$
Consolidated Group:			
Balance at 1 July 2006	-	-	-
Additions	20,664	623,712	644,376
Disposals	-	-	-
Additions through establishment of subsidiary	-	5,203,590	5,203,590
Net exchange difference arising on translation of a foreign subsidiary into the presentation currency	-	(509,305)	(509,305)
Depreciation expense	(694)	(595,904)	(596,598)
Balance at 30 June 2007	<u>19,970</u>	<u>4,722,093</u>	<u>4,742,063</u>
Additions	2,212	723,361	725,573
Disposals	-	-	-
Net exchange difference arising on translation of a foreign subsidiary into the presentation currency	(2,372)	(597,678)	(600,050)
Depreciation expense	(1,279)	(1,030,600)	(1,031,879)
Balance at 30 June 2008	<u>18,531</u>	<u>3,817,176</u>	<u>3,835,707</u>
Parent Entity:			
Balance at 1 July 2006	-	-	-
Additions	-	161,510	161,510
Disposals	-	-	-
Depreciation expense	-	(11,934)	(11,934)
Balance at 30 June 2007	<u>-</u>	<u>149,576</u>	<u>149,576</u>
Additions	-	160,529	160,529
Disposals	-	-	-
Depreciation expense	-	(41,159)	(41,159)
Balance at 30 June 2008	<u>-</u>	<u>268,946</u>	<u>268,946</u>

Note 15: Intangible assets

	Consolidated Group		Parent Entity	
	2008	2007	2008	2007
	\$	\$	\$	\$
Patents at cost	3,146,227	3,568,424	-	-
Accumulated amortisation and impairment	(264,750)	(104,810)	-	-
Net carrying value	<u>2,881,477</u>	<u>3,463,614</u>	-	-
Total intangibles	<u>2,881,477</u>	<u>3,463,614</u>	-	-

Patents

\$

Consolidated Group:

Year ended 30 June 2007

Balance at the beginning of year	-
Additions	-
Internal development	69,004
Acquisitions through business combinations	3,822,630
Disposals	-
Amortisation charge (Note 3)	(104,810)
Net exchange difference arising on translation of a foreign subsidiary into the presentation currency	(323,210)
Impairment losses	-
Closing value at 30 June 2007	<u>3,463,614</u>

Year ended 30 June 2008

Balance at the beginning of year	3,463,614
Additions	9,189
Disposals	-
Amortisation charge (Note 3)	(172,510)
Net exchange difference arising on translation of a foreign subsidiary into the presentation currency	(418,816)
Impairment losses	-
Closing value at 30 June 2008	<u>2,881,477</u>

Patents owned by the consolidated group have finite useful lives between 17 and 25 years . The current amortisation charges for intangible assets are included under depreciation and amortisation expense per the income statement.

Patents and provisional patents owned by the consolidated group are set out below:

Title	Country
Retort heating apparatus & methods	US
Hybrid energy system	AUS
Manufacture of fuel gases	AUS

Note 16: Other assets

	Note	Consolidated Group		Parent Entity	
		2008	2007	2008	2007
		\$	\$	\$	\$
CURRENT					
Deposits paid		6,029	-	6,029	-
Prepayments		27,582	12,226	23,409	12,226
		<u>33,611</u>	<u>12,226</u>	<u>29,438</u>	<u>12,226</u>
NON-CURRENT					
Deposits paid		17,549	25,314	-	6,029
Mineral leases & exploration expenditure capitalised					
— Exploration and evaluation phases- Felton, Queensland, Australia	16a	4,294,234	329,654	-	-
— Exploration and evaluation phases- Utah, United States of America	16b	19,258,707	3,520,714	-	-
Total exploration expenditure		<u>23,552,941</u>	<u>3,850,368</u>	<u>-</u>	<u>-</u>
		<u>23,570,490</u>	<u>3,875,682</u>	<u>-</u>	<u>6,029</u>

- a. Exploration expenditure of \$1,798,234 is attributable to exploration and evaluation activities in the area of Felton, Queensland, Australia. \$2,496,000 is attributable to the purchase on exploration assets in the Felton area of interest (see Note 27iii).

b. Acquisitions through establishment of subsidiary:

Balance at 1 July 2007	3,520,714
Fair value uplift of mineral leases acquired	16,860,277
Net exchange difference arising on translation of a foreign subsidiary into the presentation currency	(1,122,284)
Closing value at 30 June 2008	<u>19,258,707</u>

Recoverability of the carrying amount of exploration assets is dependent on the successful exploration and commercial exploitation, or alternatively, sale of the respective areas of interest.

Capitalised costs amounting to \$1,468,580 (2007: \$329,654) have been included in cash flows from investing activities in the cash flow statement.

Note 17: Trade and other payables		Consolidated Group		Parent Entity	
		2008	2007	2008	2007
		\$	\$	\$	\$
CURRENT					
Unsecured liabilities					
Trade payables		419,590	241,069	343,851	133,098
Sundry payables and accrued expenses		323,507	201,156	197,102	54,621
Amount due under contract of sales	17a	1,046,230	-	-	-
Share deposit funds	17b	200,000	-	200,000	-
Amounts payable to:					
— wholly-owned subsidiaries		-	-	-	92,031
— partly-owned subsidiaries		-	-	-	-
— key management personnel related entities		-	-	-	-
		<u>1,989,327</u>	<u>442,225</u>	<u>740,953</u>	<u>279,750</u>

- a. 520,000 Ordinary shares in Ambre Energy Limited were issued on 26 September 2008 as payment of the liability due for the purchase of exploration permits (see Note 27iii).
- b. The parent entity issued ordinary shares on 7 July 2008 to reduce the liability to nil.

Note 18: Provisions

Consolidated group

	Short-term Employee Benefits	Other	Total
	\$	\$	\$
Opening balance at 1 July 2007	11,586	-	11,586
Additional provisions	55,406	1,449,770	1,505,176
Balance at 30 June 2008	66,992	1,449,770	1,516,762

Parent entity

	Short-term Employee Benefits	Other	Total
	\$	\$	\$
Opening balance at 1 July 2007	11,586	-	11,586
Additional provisions	55,406	-	55,406
Balance at 30 June 2008	66,992	-	66,992

Analysis of total provisions

	Consolidated Group		Parent Entity	
	2008	2007	2008	2007
	\$	\$	\$	\$
Current	1,516,762	11,586	66,992	11,586
Non-current	-	-	-	-
	1,516,762	11,586	66,992	11,586

Provision for short-term employee benefits

A provision has been recognised for employee entitlements relating to annual leave. The measurement and recognition criteria relating to employee benefits has been included in Note 1 to this report.

Provision (other)

A provision has been recognised for amounts due under a contract for purchase of exploration permits (see Note 27iii)

Note 19: Issued capital

	Consolidated Group		Parent Entity	
	2008	2007	2008	2007
	\$	\$	\$	\$
25,461,737 (2007: 17,090,000) fully paid ordinary shares	48,587,959	9,994,200	48,587,959	9,994,200
Transaction Costs relating to share issues	(138,940)	-	(138,940)	-
	48,449,019	9,994,200	48,449,019	9,994,200

Note 19: Issued capital (con'd)

	Consolidated Group		Parent Entity	
	2008	2007	2008	2007
	No.	No.	No.	No.
a. Ordinary shares				
At the beginning of reporting period	17,090,000	11,000	17,090,000	11,000
— 12 September 2006	-	1,100	-	1,100
— 14 December 2006	-	3,575	-	3,575
— 9 February 2007	-	25	-	25
— 20 March 2007	-	400	-	400
— 19 April 2007	-	990	-	990
Effect of Subdivision 1:1,000				
— 2 May 2007	-	17,072,910	-	17,072,910
Shares issued during the year				
— 17 August 2007	575,000	-	575,000	-
— 21 August 2007	98,513	-	98,513	-
— 24 August 2007	236,638	-	236,638	-
— 5 September 2007	425,000	-	425,000	-
— 5 October 2007	286,000	-	286,000	-
— 5 November 2007	38,000	-	38,000	-
— 26 November 2007	2,835,175	-	2,835,175	-
— 12 December 2007	149,272	-	149,272	-
— 4 January 2008	993,594	-	993,594	-
— 30 April 2008	266,855	-	266,855	-
— 10 June 2008	290,000	-	290,000	-
— 30 June 2008	2,177,690	-	2,177,690	-
At reporting date	<u>25,461,737</u>	<u>17,090,000</u>	<u>25,461,737</u>	<u>17,090,000</u>

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held.

At the shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

Capital Management

Management controls the capital of the company in order to maintain a good debt to equity ratio, provide the shareholders with adequate returns and to ensure that the company can fund its operations and continue as a going concern. The company's debt and capital includes ordinary share capital and financial liabilities, supported by financial assets. There are no externally imposed capital requirements. Management effectively manages the company's capital by assessing the company's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues. There have been no changes in the strategy adopted by management to control the capital of the company since the prior year.

b. Options

- i For information relating to share options issued during the financial year, refer to Note 26 Share-based Payments.

Note 20: Reserves

a. **Foreign currency translation reserve**

The foreign currency translation reserve records exchange differences arising on translation of a foreign controlled subsidiary.

b. **Option reserve**

The Option Reserve records items recognised as expenses on valuation of share options.

Note 21: Capital and leasing commitments

These commitments are not provided for in the financial report and are payable:

	Consolidated Group		Parent Entity	
	2008	2007	2008	2007
	\$	\$	\$	\$
a. Operating lease commitments				
Non-cancellable operating leases contracted for but not capitalised in the financial statements				
Payable — minimum lease payments				
— not later than 12 months	313,694	70,741	297,893	70,741
— One year or later and not later than five years	1,395,503	35,893	1,395,503	35,893
— Later than five years	795,480	-	795,480	-
	<u>2,504,677</u>	<u>106,634</u>	<u>2,488,876</u>	<u>106,634</u>

The operating lease commitments relate to non- cancellable office property leases in Australia and the United States of America. The leases allow for subletting of all lease areas.

b. **Exploration expenditure commitments**

The consolidated entity has certain statutory obligations to undertake a minimum level of exploration activity in order to maintain rights of tenure to its exploration licenses. These obligations may vary from time to time in accordance with the type of tenements held and are expected to be fulfilled in the normal course of operations of the consolidated entity to avoid forfeiture of any tenement.

Exploration Commitments Payable:

— Not later than 12 months	370,000	-	-	-
— One year or later and not later than five years	1,090,000	573,632	-	-
Tenement & Mineral Lease rental payable:				
— Not later than 12 months	84,492	50,349	-	-
— One year or later and not later than five years	229,459	184,015	-	-
— Later than five years	345,467	449,041	-	-
	<u>2,119,418</u>	<u>1,257,037</u>	<u>-</u>	<u>-</u>

c. **Subsidiary commitments**

The contribution agreement entered into as of 21 October 2006 by and between Oil-Tech, Inc. and the parent entity, was terminated as of July 22, 2008. All potential capital contributions required of the parent entity under this agreement were reduced to nil.

Minimum Capital Contributions Payable:

— Not later than 12 months	-	-	-	960,576
— One year or later and not later than five years	-	-	-	5,867,856
	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,828,432</u>

d. **Operating commitments- joint venture operations**

Exploration expenditure commitments arising from interest in joint venture arrangements:

— Not later than 12 months	-	44,535	-	-
— One year or later and not later than five years	-	1,500,000	-	-
	<u>-</u>	<u>1,544,535</u>	<u>-</u>	<u>-</u>

The contract for purchase of exploration permits from SE QLD Coal Pty Ltd reduced the consolidated group's joint venture commitments to nil. (See Note 27iii).

Note 21: Capital and leasing commitments (cont'd)

e. Other commitments

On the 14th May 2007 the parent entity entered into a research agreement with the University of Utah, a body politic and corporate of the State of Utah, United States, in which the parent entity agreed to pay the University \$US 2,195,058 for performance of the Research under the Agreement. This agreement may be terminated by either party at any time, by giving written notice to the other party. Such termination will be effective thirty days after receipt of such notice. Termination of the agreement will not relieve either party of any obligation or liability accrued prior to such termination. As at 30 June 2008, amounts totalling \$US 544,156 have been paid to the University of Utah under this agreement.

	Consolidated Group		Parent Entity	
	2008	2007	2008	2007
	\$	\$	\$	\$
— Not later than 3 years	1,715,045	2,576,057	1,715,045	2,576,057
Fees payable on Pilot Plant site, Utah, United States:				
— Not later than 12 months	3,117	3,873	-	-
— One year or later and not later than five years	12,468	15,491	-	-
— Later than five years	62,331	81,328	-	-
Service Agreements	22,078	-	-	-
	<u>1,815,039</u>	<u>2,676,749</u>	<u>1,715,045</u>	<u>2,576,057</u>

Note 22: Contingent liabilities and contingent assets

The Company does not believe it has any material contingent liabilities or contingent assets.

Note 23: Related party transactions

Transactions between related parties are on normal commercial terms

Details of transactions between the reporting entity and its related

a. Loans with wholly owned subsidiaries

Loans made between the parent entity and wholly owned subsidiaries are non interest bearing. (Note 9 &16).

b. Other related parties

Management, and accounting fees were paid to The Ritchie Group, LC, a related party of entities holding 16.6% of the issued capital in the parent entity at 30 September 2008. Under the consultancy agreement The Ritchie Group, LC, received service fees of \$22,759 (USD \$21,908) per month to June 2008 (USD \$5,242 from 1 June 2008), together with reimbursements for the use of office space, office outgoings and travel expenses. In addition one of the consultants of The Ritchie Group, LC is a Director of all the controlled entities incorporated in the United States of America.

Note 24: Segment reporting

The consolidated entity operates in Australia and the United States in the development of 2 separate technology streams – Hybrid Energy System (low temperature pyrolysis) and coal gasification/DME (dimethyl ether) production. Funds are currently being spent in Australia and the United States of America on research and development and exploration of resources for both technologies. Consequently, as the operating segments are substantially similar, the directors believe that only one segment exists for the current and prior periods.

Note 25: Cash flow information

	Consolidated Group		Parent Entity	
	2008	2007	2008	2007
	\$	\$	\$	\$
a. Reconciliation of cash flow from operations with profit after income tax				
Profit after income tax	(7,263,402)	(10,227,518)	(4,264,177)	(8,571,204)
Cash flows excluded from profit attributable to operating activities				
Non-cash flows in profit				
Amortisation	173,789	105,505	-	-
Depreciation	1,030,600	595,904	41,159	11,934
Impairment	-	-	-	-
Share based payments	827,100	7,455,162	827,100	7,455,162
Fair value loss/ (gains)	172,086	(53)	131,108	-
Loss of minority interest prior to acquisition	(673,305)	-	-	-
Net gain on disposal of intangible assets	-	-	-	(189,508)
Effect of exchange rates on cash holdings in foreign currencies	65,491	214,363	29,726	214,363
Exchange differences not related to operating activities		132,321	-	132,321
Forgiveness of acquired liability	(34,859)			
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries				
(Increase)/decrease in trade and term receivables	(25,486)	(54,004)	36,087	(56,483)
(Increase)/decrease in other assets	(15,356)	(37,541)	(11,183)	(18,255)
Increase/(decrease) in trade payables and accruals	300,871	363,706	353,235	278,949
Increase/(decrease) in income taxes payable	414,535	(345,429)	414,535	(345,429)
Increase/(decrease) in deferred taxes payable	-	-	-	-
Increase/(decrease) in provisions	55,407	11,586	55,407	11,586
Cashflow from operations	(4,972,529)	(1,785,999)	(2,387,003)	(1,076,564)

Note 25: Cash flow information (Cont'd)

	Consolidated Group		Parent Entity	
	2008	2007	2008	2007
	\$	\$	\$	\$
b. Acquisition of entities				
During the year a further 87% (total 93%) of the controlled entity Oil-Tech, Inc. was acquired (See Note 12b).				
Purchase consideration	23,326,559	2,472,863	-	-
Equity consideration	18,361,177	-	-	-
Cash consideration	4,965,382	2,472,863	-	-
Cash outflow	4,965,382	2,472,863	-	-
Assets and liabilities held at acquisition date:				
Cash and Cash equivalents	76,487	-	-	-
Investment in Millennium Synfuels, LLC, at fair value	27,746,516	-	-	-
Plant & Equipment	979	-	-	-
Payables	(34,859)	-	-	-
	27,789,123	-	-	-
Goodwill recognised on consolidation	-	-	-	-
Minority equity interests in acquisitions	1,989,701	-	-	-
	25,799,422	-	-	-

Represented by:

Acquisition 2007	\$2,472,863
Acquisition 2008	\$23,326,559
	<u>\$25,799,422</u>

The assets and liabilities arising from the acquisition are recognised at fair value which is equal to its carrying value.

Loss of Oil-Tech, Inc included in consolidated loss of the group since the acquisition date on 30 October 2007 amounted to \$969,597. Had the results relating to Oil-Tech, Inc been consolidated from 1 July 2007, consolidated loss would have been \$1,642,902 for the year ended 30 June 2008.

c. Credit facilities

The consolidated group has no unused credit facilities with banks or other financial institutions.

Note 26: Share-based payments

The following share-based payment arrangements existed at 30 June 2008:

On 25 September 2007, 200,000 options were granted to Cockatoo Coal Limited under a contract for purchase of coal exploration permits. The exercise price of these options was \$10. These options expired 5pm, 30 June 2008.

On 18 March 2008, a further 100,000 options were issued to key service providers. The exercise price of these options is \$4.80. Maximum term of the options granted was 3.8 years. No vesting conditions are applicable.

On 30 June 2008, a further 330,000 options were issued to employees under the Company's Employee Share Option Plan. The maximum term of the options granted was 4.5 years. The vesting of 160,000 of the options granted is conditional upon the grantee being an employee of the company or one of its related entities on the relevant vesting date.

All options granted are ordinary shares in Ambre Energy Limited, which confer a right of one ordinary share for every option held. The options are transferable, but hold no voting or dividend rights.

	Consolidated Group				Parent Entity			
	2008		2007		2008		2007	
	Number of Options	Weighted Average Exercise Price \$	Number of Options	Weighted Average Exercise Price \$	Number of Options	Weighted Average Exercise Price \$	Number of Options	Weighted Average Exercise Price \$
Outstanding at the beginning of the year	5,400,000	2	-	-	5,400,000	2	-	2
Granted	630,000	4.8	5,400,000	2	630,000	4.8	5,400,000	2
Forfeited	-	-	-	-	-	-	-	-
Exercised	-	-	-	-	-	-	-	-
Expired	(200,000)	10	-	-	(200,000)	10	-	-
Outstanding at year-end	5,830,000	2.2	5,400,000	2	5,830,000	2.2	5,400,000	2
Exercisable at year-end	5,670,000	2.1	5,400,000	2	5,670,000	2.1	5,400,000	2

The options outstanding at 30 June 2008 had a weighted average exercise price of \$2.21 and a weighted average remaining contractual life of 3.6 years. Exercise prices range from \$2.00 to \$4.80 in respect of options outstanding at 30 June 2008.

The weighted average fair value of the options granted during the year was \$6.45

This price was calculated by using a Black-Schols option pricing model applying the following inputs:

Weighted average exercise price	\$4.8
Weighted average life of the option	1-5 years
Underlying share price	\$4.8
Expected share price volatility	78.56%
Risk free interest rate	6.2-6.9%

Due to the company's low trading volumes over recent times, it is the view of the company's management that the future expected volatility is better represented by an average volatility of similar companies listed on the Australian Stock Exchange. An analysis of similar listed companies provides a volatility of 78.56%

Included under share-based payments in the income statement is \$827,100 (2006:\$7,455,162). These amounts relate, in full, to equity-settled share-based payment transactions.

Note 27: Events after the balance sheet date

i) Subsequent to reporting date, the parent entity issued 2,117,573 ordinary fully paid shares to private investors for total consideration of \$10,164,350 (cash consideration: \$7,579,406, share based payments: \$2,584,944). Average price per share was \$4.80.

ii) On 21 July 2008, Ambre Energy Partners, Inc., lodged Articles of Merger with the Utah Department of Commerce to finalise the merger of Ambre Energy Partners, Inc., with Oil-Tech, Inc., effective 21 July 2008. Shareholder approval was not required. Under the terms and conditions of the Plan of Merger, each share of common stock of Oil-Tech Inc, issued and outstanding immediately prior to the Effective Time, will be converted into the right to receive cash equal to US \$1.00 per share. Options, warrants or similar rights to acquire shares of Oil-Tech, Inc. shall be automatically converted into the right to receive a cash amount determined by subtracting the exercise price of such right from the fair value of US \$1.00 per share. The cash consideration payable to former Oil-Tech, Inc security holders under the merger, is USD \$2,478,765.

iii) On 2 September 2008, agreement was reached with Cockatoo Coal Limited (SE QLD Coal Pty Ltd's parent entity) for the variation of the contract entered into on the 21 September 2007 for the purchase of SE QLD Coal Pty Ltd's 25% interest in the joint venture with the controlled entity Ambre Energy (Felton) Pty Ltd ('AEF')(formerly Eastern Mining Corporation Pty Ltd) ('EMC') comprising AEF's title in or farm-in rights to EPCs 1076, 1137, 1138, 935 and 936.

Under the variation ,consideration for the sale is:

— \$2,496,000 to be paid by way of the Buyer (or party as directed by seller) causing the Seller to be issued 520,000 fully paid ordinary shares in the capital of Ambre Energy Limited.

The Parent entity issued 520,000 fully paid ordinary shares on 26 September 2008, to SE QLD Coal Pty Ltd in satisfaction of this payable (See Note 27i).

The completion of this acquisition reduces the payable of \$1,046,230 (see Note 17a) and provision for payable of \$1,449,770 (see Note 18) provided for in the accounts to nil.

iv) On 22 August 2008, Ambre Energy (Felton) Pty Ltd entered into a contract to purchase land and buildings within MLA 50245 in Felton, Queensland, Australia for a cash consideration of \$1,045,000 and a right to an allocation of \$100,000 worth of shares in Ambre Energy Limited upon an IPO by the company, based on the issue price of the shares in the prospectus. Under the terms of the contract all legal and relocation expenses incurred by the seller were payable by the buyer. The contract was settled on 17 September 2008.

v) Subsequent to reporting date, the parent entity entered into a contract with Multiplex Property Funds Management Ltd for the lease of Part of Level 27 AMP Place, 10 Eagle Street, Brisbane, QLD 4000, Australia. The lease commenced 1 September 2008 for a term of 7 years. The financial commitments for the operating lease are disclosed under Operating lease commitments (see Note 21a).

vi) On 5 September 2008, Ambre Energy North America, Inc.,('AENA') entered into a feasibility study agreement with The North American Coal Corporation ('NAC'), to decide on the feasibility of a Demonstration Plant at a NAC mine in the United States of America, utilising NAC Coal and AENA intellectual property. Costs incurred to complete the study up to a maximum of US \$750,000 will be funded jointly on a 50/50 basis by AENA and NAC.

The financial report was authorised for issue on 29 October 2008 by the board of directors.

Note 28: Financial Risk Management

a. Financial risk management

The group's financial instruments consist mainly of deposits with banks, accounts receivable and payable, and loans to and from subsidiaries.

i. Financial Risks

The main risks the group is exposed to through its financial instruments are foreign currency risk, liquidity risk and credit risk.

Foreign currency risk

The group is exposed to fluctuations in foreign currencies arising from deposits with banks in currencies other than the groups measurement currency.

Liquidity risk

The group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained.

Credit risk

The maximum exposure to credit risk, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements.

There are no material amounts of collateral held as security at 30/06/2008.

The consolidated group does not have any material credit risk exposure to any single receivable or group of receivables under financial instruments entered into by the consolidated group.

b. Financial Instruments

Consolidated Group	Floating Interest Rate		Non- Interest Bearing	
	2008	2007	2008	2007
Financial assets:	\$	\$	\$	\$
Cash and cash equivalents	12,180,297	3,982,145	-	-
Receivables	-	-	101,226	74,004
Investments	-	-	-	2,603,972
Total financial assets	12,180,297	3,982,145	101,226	2,677,976
Weighted average effective interest rate	2.58%	5.23%	-	-
Financial liabilities:	Floating Interest Rate		Non- Interest Bearing	
	2008	2007	2008	2007
	\$	\$	\$	\$
Trade and sundry payables	-	-	1,989,327	442,225
Amounts payable to related parties	-	-	-	-
Total financial liabilities	-	-	1,989,327	442,225

Note 28: Financial instruments (cont'd)

Parent Entity	Floating Interest Rate		Non- Interest Bearing	
	2008	2007	2008	2007
Financial assets:	\$	\$	\$	\$
Cash and cash equivalents	9,363,903	3,838,898	-	-
Receivables	-	-	40,393	76,482
Investments in controlled entities	-	-	33,055,376	-
Amounts receivable from controlled entities	-	-	1,773,600	-
Total financial assets	9,363,903	3,838,898	34,869,369	76,482

Weighted average effective interest rate	3.06%	5.23%	-	-
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Financial liabilities:	Floating Interest Rate		Non- Interest Bearing	
	2008	2007	2008	2007
	\$	\$	\$	\$
Trade and sundry payables	-	-	740,953	279,750
Amounts payable to related parties	-	-	-	-
Total financial liabilities	-	-	740,953	279,750

Trade and sundry payables are expected to be paid as follows:

	Consolidated Group		Parent Entity	
	2008	2007	2008	2007
	\$	\$	\$	\$
Less than six months	1,989,327	442,225	740,953	279,750
6 months to 1 year	-	-	-	-
1 to 5 years	-	-	-	-

c. Net Fair Values

The net fair values of:

- Assets and liabilities are carried at their approximate carrying value
- No financial Assets and financial liabilities are readily traded on organised markets in standardised form

Note 29: Change in accounting policy

- a. The following Australian Accounting Standards have been issued or amended and are applicable to the parent and consolidated group but are not yet effective. They have not been adopted in preparation of the financial statements at reporting date.

AASB Amendment	Standards Affected	Outline of Amendment	Application Date of Standard	Application Date for Group	
AASB 2007–3 Amendments to Australian Accounting Standards	AASB 5	Non-current Assets Held for Sale and Discontinued Operations	The disclosure requirements of AASB 114: Segment Reporting have been replaced due to the issuing of AASB 8: Operating Segments in February 2007. These amendments will involve changes to segment reporting disclosures within the financial report. However, it is anticipated there will be no direct impact on recognition and measurement criteria amounts included in the financial report.	1.1.2009	1.7.2009
	AASB 6	Exploration for and Evaluation of Minerals			
	AASB 102	Inventories			
	AASB 107	Cash Flow Statements			
	AASB 119	Employee Benefits			
	AASB 127	Consolidated and Separate Financial Statements			
	AASB 134	Interim Financial Reporting			
	AASB 136	Impairment of Assets			
AASB 7: Financial Instruments: Disclosures	AASB 1023	General Insurance Contracts	As above	1.1.2009	1.7.2009
	AASB 1038	Life Insurance Contracts			
AASB 8 Operating	AASB 114	Segment Reporting			

notes to the financial statements

continued

Note 29: Change in accounting policy (cont'd)

AASB Amendment	Standards Affected	Outline of Amendment	Application Date of Standard	Application Date for Group
AASB 2007–6 Amendments to Australian Accounting Standards	AASB 1 First time adoption of AIFRS	The revised AASB 123: Borrowing Costs issued in June 2007 has removed the option to expense all borrowing costs. This amendment will require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. However, there will be no direct impact to the amounts included in the financial group as they already capitalise borrowing costs related to qualifying assets.	1.1.2009	1.7.2009
	AASB 101 Presentation of Financial Statements			
	AASB 107 Cash Flow Statements			
	AASB 111 Construction Contracts			
	AASB 116 Property, Plant and Equipment			
	AASB 138 Intangible Assets			
AASB 123 Borrowing Costs	AASB 123 Borrowing Costs	As above	1.1.2009	1.7.2009
AASB 2007–8 Amendments to Australian Accounting Standards	AASB 101 Presentation of Financial Statements	The revised AASB 101: Presentation of Financial Statements issued in September 2007 requires the presentation of a statement of comprehensive income.	1.1.2009	1.7.2009
AASB 101	AASB 101 Presentation of Financial Statements	As above	1.1.2009	1.7.2009

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Note 30: Company details

Ambre Energy Limited's registered office and its principal place of business is as follows:

Level 27
 AMP Place
 10 Eagle Street
 BRISBANE QLD 4000 AUSTRALIA

directors' declaration

The directors of the company declare that:

1. the financial statements and notes, as set out on pages 30 to 63, are in accordance with the Corporations Act 2001 and:
 - (a) comply with Accounting Standards and the Corporations Regulations 2001; and
 - (b) give a true and fair view of the financial position as at 30 June 2008 and of the performance for the year ended on that date of the company and consolidated group;
2. 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.

This declaration is made in accordance with a resolution of the Board of Directors.

Michael Mewing

Director

Brisbane 30 October 2008

independent auditor's report



INDEPENDENT AUDITOR'S REPORT

**TO THE MEMBERS OF AMBRE ENERGY LIMITED AND
ITS CONTROLLED ENTITIES
ACN 114 812 074**

Grant Thornton Queensland Partnership
ABN 13 131 589 059

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Report on the financial report

We have audited the accompanying financial report of Ambre Energy Limited and its Controlled Entities, which comprises the balance sheet as at 30 June 2008, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the Company are responsible for the preparation 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 controls 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 1 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 of 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.

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Engineers from the University of Utah conducting gas analysis during a test run of Ambre Energy's pilot retort in Utah.

independent auditor's report



Grant Thornton

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 circumstance, 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.

Independence

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

Auditor's opinion

In our opinion:

- 1 the financial report of Ambre Energy Limited and its controlled entities is in accordance with the Corporations Act 2001, including:
 - a giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2008 and of their performance for the year ended on that date; and
 - b complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- 2 the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Material Uncertainty Regarding the Recoverability of Certain Assets

Without qualifying our opinion, the financial report includes patents (\$2,881,477 – note 15), capitalised exploration costs and mineral leases (\$19,169,380 – note 16) and the pilot retort plant (\$2,818,850 – note 14), valued by the directors using a fair value methodology.

The ultimate recovery of the above asset balances by the economic entity is dependent upon accessing sufficient equity and/or debt funding to construct and operate a commercial sized retort plant, and the successful commercialisation of the patented technologies.

GRANT THORNTON

Daniel J Carroll
Partner
Brisbane

Dated 30 October 2008