

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 2009 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, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the Corporations Act 2001.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards.

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 govern the financial and operating policies so as to obtain benefits from its activities. In assessing the power to govern, the existence and effect of holdings of actual and potential voting rights are considered.

A list of controlled entities is contained in Note 12 to the financial statements. All controlled entities have a June financial year end.

As at reporting date, the assets and liabilities of all controlled entities have been incorporated into the consolidated financial statements as well as their results for the year then ended. Where controlled entities have entered (left) the consolidated group during the year, their operating results have been included (excluded) from the date control was obtained (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.

NOTES TO THE FINANCIAL STATEMENTS

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

Business combinations

Business combinations occur where control over another business is obtained and results in the consolidation of its assets and liabilities. All business combinations, including those involving entities under common control, are accounted for by applying the purchase method.

The purchase method requires an acquirer of the business to be identified and for the cost of the acquisition and fair values of identifiable assets, liabilities and contingent liabilities to be determined as at acquisition date, being the date that control is obtained. Cost is determined as the aggregate of fair values of assets given, equity issued and liabilities assumed in exchange for control together with costs directly attributable to the business combination. Any deferred consideration payable is discounted to present value using the entity's incremental borrowing rate.

Goodwill is recognised initially at the excess of cost over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If the fair value of the acquirer's interest is greater than cost, the surplus is immediately recognised in profit or loss.

(b) Income tax

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. 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 assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Note 1: Statement of Significant Accounting Policies (cont'd)**(b) Income tax (cont'd)**

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

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 less, where applicable, accumulated depreciation and impairment losses.

Property

Freehold land and buildings are shown at their fair value (being the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction), based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation for buildings.

Increases in the carrying amount arising on revaluation of land and buildings are credited to a revaluation reserve in equity. Decreases that offset previous increases of the same asset are charged against fair value reserves directly in equity; all other decreases are charged to the income statement. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the income statement and depreciation based on the asset's original cost is transferred from the revaluation reserve to retained earnings.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Plant and equipment

Plant and equipment are measured on the cost basis.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The cost of fixed assets constructed within the consolidated group includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

NOTES TO THE FINANCIAL STATEMENTS

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

(c) Property, plant and equipment (cont'd)

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets, including buildings and capitalised lease assets, but excluding land 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
Buildings	0-33%
Plant and Equipment	5-50%
Leasehold Improvements	5-20%

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.

(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.

Note 1: Statement of Significant Accounting Policies (cont'd)**(d) Exploration and Development Expenditure (cont'd)**

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 InstrumentsInitial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either the purchase or sale of the asset (ie trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified 'at fair value through profit or loss', in which case transaction costs are expensed to profit or loss immediately.

Classification and subsequent measurement

Finance instruments are subsequently measured at either of fair value, amortised cost using the effective interest rate method, or cost. Fair value represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as:

- a) the amount at which the financial asset or financial liability is measured at initial recognition;
- b) less principal repayments;
- c) plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the effective interest method; and
- d) less any reduction for impairment.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

The Group does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of accounting standards specifically applicable to financial instruments.

Financial assets at fair value through profit or loss

Financial assets are classified at 'fair value through profit or loss' when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a Group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk

NOTES TO THE FINANCIAL STATEMENTS

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

(e) Financial Instruments (cont'd)

management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Group's intention to hold these investments to maturity. They are subsequently measured at amortised cost.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

Derivative instruments

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 probable forecast transactions (cash flow hedges).

At the inception of the transaction the relationship between hedging instruments and hedged items, as well as the Group's 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 hedged assets or liabilities 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.

Impairment

At each reporting date, the Group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether impairment has arisen. Impairment losses are recognised in the income statement.

Financial guarantees

Where material, financial guarantees issued, which require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due, are recognised as a financial liability at fair value on initial recognition.

The guarantee is subsequently measured at the higher of the best estimate of the obligation and the amount initially recognised less, when appropriate, cumulative amortisation in accordance with AASB 118: Revenue. Where the entity gives guarantees in exchange for a fee, revenue is recognised under AASB 118.

The fair value of financial guarantee contracts has been assessed using a probability weighted discounted cash flow approach. The probability has been based on:

- the likelihood of the guaranteed party defaulting in a year period;
- the proportion of the exposure that is not expected to be recovered due to the guaranteed party defaulting; and
- the maximum loss exposed if the guaranteed party were to default.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

(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 being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. 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.

NOTES TO THE FINANCIAL STATEMENTS

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

(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.

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 where this approximates the rate at the date of the transaction; and

Note 1: Statement of Significant Accounting Policies (cont'd)**(i) Foreign Currency Transactions and Balances (cont'd)**

- 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.

Equity Settled compensation

The Group operates equity-settled share-based payment employee share and option schemes. The fair value of the equity to which employees become entitled is measured at grant date and recognised as an expense over the vesting period, with a corresponding increase to an equity account. The fair value of options is ascertained using a Black-Scholes pricing model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at each reporting date such that the amount recognised for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

(k) Provisions

Provisions are recognised in the balance sheet when the consolidated group has a 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.

NOTES TO THE FINANCIAL STATEMENTS

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

(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) New Accounting Standards for Application in Future Periods

The AASB has issued new, revised and amended standards and interpretations that have mandatory application dates for future reporting periods. The Group has decided against early adoption of these standards (unless otherwise stated below). A discussion of those future requirements and their impact on the Group follows:

AASB 3: Business Combinations, AASB 127: Consolidated and Separate Financial Statements, AASB 2008-3: Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127 [AASBs 1,2,4,5,7,101,107, 112, 114, 116, 121, 128, 131, 132, 133, 134, 136, 137, 138 & 139 and Interpretations 9 & 107] (applicable for annual reporting periods commencing from 1 July 2009) and AASB 2008-7: Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate [AASB 1, AASB 118, AASB 121, AASB 127 & AASB 136] (applicable for annual reporting periods commencing from 1 January 2009).

These standards are applicable prospectively and so will only affect relevant transactions and consolidations occurring from the date of application. In this regard, its impact on the Group will be unable to be determined. The following changes to accounting requirements are included:

- acquisition costs incurred in a business combination will no longer be recognised in goodwill but will be expensed unless the cost relates to issuing debt or equity securities;
- contingent consideration will be measured at fair value at the acquisition date and may only be provisionally accounted for during a period of 12 months after acquisition;
- a gain or loss of control will require the previous ownership interests to be remeasured to their fair value;
- there shall be no gain or loss from transactions affecting a parent's ownership interest of a subsidiary with all transactions required to be accounted for through equity (this will not represent a change to the Group's policy);
- dividends declared out of pre-acquisition profits will not be deducted from the cost of an investment but will be recognised as income;
- impairment of investments in subsidiaries, joint ventures and associates shall be considered when a dividend is paid by the respective investee; and
- where there is, in substance, no change to Group interests, parent entities inserted above existing groups shall measure the cost of its investments at the carrying amount of its share of the equity items shown in the balance sheet of the original parent at the date of reorganisation.

Note 1: Statement of Significant Accounting Policies (cont'd)**(p) New Accounting Standards for Application in Future Periods (cont'd)**

The Group will need to determine whether to maintain its present accounting policy of calculating goodwill acquired based on the parent entity's share of net assets acquired or change its policy so goodwill recognised also reflects that of the non-controlling interest.

AASB 8: Operating Segments and AASB 2007-3: Amendments to Australian Accounting Standards arising from AASB 8 [AASB 5, AASB 6, AASB 102, AASB 107, AASB 119, AASB 127, AASB 134, AASB 136, AASB 1023 & AASB 1038] (applicable for annual reporting periods commencing from 1 January 2009). The Group has early adopted AASB 8 and therefore is not required to disclose segment information.

AASB 101: Presentation of Financial Statements, AASB 2007-8: Amendments to Australian Accounting Standards arising from AASB 101, and AASB 2007-10: Further Amendments to Australian Accounting Standards arising from AASB 101 (all applicable to annual reporting periods commencing from 1 January 2009). The revised AASB 101 and amendments supersede the previous AASB 101 and redefines the composition of financial statements including the inclusion of a statement of comprehensive income. There will be no measurement or recognition impact on the Group. If an entity has made a prior period adjustment or reclassification, a third balance sheet as at the beginning of the comparative period will be required.

AASB 123: Borrowing Costs and AASB 2007-6: Amendments to Australian Accounting Standards arising from AASB 123 [AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 & AASB 138 and Interpretations 1 & 12] (applicable for annual reporting periods commencing from 1 January 2009). The revised AASB 123 has removed the option to expense all borrowing costs and will therefore require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. Management has determined that there will be no effect on the Group as a policy of capitalising qualifying borrowing costs has been maintained by the Group.

AASB 2008-1: Amendments to Australian Accounting Standard – Share-based Payments: Vesting Conditions and Cancellations [AASB 2] (applicable for annual reporting periods commencing from 1 January 2009).

This amendment to AASB 2 clarifies that vesting conditions consist of service and performance conditions only. Other elements of a share-based payment transaction should therefore be considered for the purposes of determining fair value. Cancellations are also required to be treated in the same manner whether cancelled by the entity or by another party.

AASB 2008-2: Amendments to Australian Accounting Standards – Puttable Financial Instruments and Obligations Arising on Liquidation [AASB 7, AASB 101, AASB 132 & AASB 139 & Interpretation 2] (applicable for annual reporting periods commencing from 1 January 2009). These amendments introduce an exception to the definition of a financial liability to classify as equity instruments certain puttable financial instruments and certain other financial instruments that impose an obligation to deliver a pro-rata share of net assets only upon liquidation.

AASB 2008-5: Amendments to Australian Accounting Standards arising from the Annual Improvements Project (July 2008) (AASB 2008-5) and AASB 2008-6: Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project (July 2008) (AASB 2008-6) detail numerous non-urgent but necessary changes to accounting standards arising from the IASB's annual improvements project. No changes are expected to materially affect the Group.

NOTES TO THE FINANCIAL STATEMENTS

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

(p) New Accounting Standards for Application in Future Periods (cont'd)

AASB 2008-8: Amendments to Australian Accounting Standards – Eligible Hedged Items [AASB 139] (applicable for annual reporting periods commencing from 1 July 2009). This amendment clarifies how the principles that determine whether a hedged risk or portion of cash flows is eligible for designation as a hedged item should be applied in particular situations and is not expected to materially affect the Group.

AASB 2008-13: Amendments to Australian Accounting Standards arising from AASB Interpretation 17 – Distributions of Non-cash Assets to Owners [AASB 5 & AASB 110] (applicable for annual reporting periods commencing from 1 July 2009). This amendment requires that non-current assets held for distribution to owners to be measured at the lower of carrying value and fair value less costs to distribute.

AASB Interpretation 15: Agreements for the Construction of Real Estate (applicable for annual reporting periods commencing from 1 January 2009). Under the interpretation, agreements for the construction of real estate shall be accounted for in accordance with AASB 111 where the agreement meets the definition of 'construction contract' per AASB 111 and when the significant risks and rewards of ownership of the work in progress transfer to the buyer continuously as construction progresses. Where the recognition requirements in relation to construction are satisfied but the agreement does not meet the definition of 'construction contract', revenue is to be accounted for in accordance with AASB 118. Management does not believe that this will represent a change of policy to the Group.

AASB Interpretation 16: Hedges of a Net Investment in a Foreign Operation (applicable for annual reporting periods commencing from 1 October 2008). Interpretation 16 applies to entities that hedge foreign currency risk arising from net investments in foreign operations and that want to adopt hedge accounting. The interpretation provides clarifying guidance on several issues in accounting for the hedge of a net investment in a foreign operation and is not expected to impact the Group.

AASB Interpretation 17: Distributions of Non-cash Assets to Owners (applicable for annual reporting periods commencing from 1 July 2009). This guidance applies prospectively only and clarifies that non-cash dividends payable should be measured at the fair value of the net assets to be distributed where the difference between the fair value and carrying value of the assets is recognised in profit or loss.

The Group does not anticipate early adoption of any of the above reporting requirements (unless stated) and does not expect these requirements to have any material effect on the Group's financial statements.

(q) 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 14), mineral leases and capitalised exploration costs (Note 15) and a retort pilot plant (Note 13). 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 2009.

Note 1: Statement of Significant Accounting Policies (cont'd)**(r) Going Concern**

The financial statements have been prepared on a going concern basis. The Board acknowledges that without further funding the company will deplete its cash reserves before June 2010. On 26 Aug 2009, the company released an Information Memorandum to raise approximately \$10 million for working capital. At the date of this report approx \$2.6 million has been raised.

The company is encouraged with the indicative responses received from Australian investment funds and international investors and feel confident that the balance up to \$10 million shall be received. This issue of capital together with the planned capital raising in the USA later this financial year, is expected to meet the cash needs of the group.

Given these factors, the Board has assessed the resources available to the company and consequently believe that the company will be able to pay its debts as and when they fall due.

NOTES TO THE FINANCIAL STATEMENTS

Note 2: Revenue

	Note	Consolidated Group		Parent Entity	
		2009 \$	2008 \$	2009 \$	2008 \$
Revenue					
— interest received		425,023	139,661	389,579	138,241
— other revenue		1,493	2,035	-	2,035
— services revenue	2a	-	-	565,615	413,800
Total revenue		426,516	141,696	955,194	554,076
Other income					
— assignment of mineral leases		64,477	-	-	-
		64,477	-	-	-
a. Services revenue from:					
— wholly-owned subsidiaries		-	-	565,615	312,600
— partly owned subsidiaries		-	-	-	101,200
Total service revenue		-	-	565,615	413,800

Note 3: Profit for the year

		Consolidated Group		Parent Entity	
		2009 \$	2008 \$	2009 \$	2008 \$
Expenses					
— Employee benefit expense		3,925,081	1,555,747	2,197,986	1,116,373
— Depreciation of property, plant & equipment		1,324,901	1,030,600	71,421	41,159
— Amortisation of non current assets:					
— Intangible assets		193,330	172,510	-	-
— Leasehold improvements		6,130	1,279	978	-
— Share based payments	26	2,932,174	827,100	2,932,174	827,100
— Rental expense on operating leases		377,022	92,339	310,312	69,696
— Research & development costs		2,928,720	2,665,776	2,488,874	1,685,991
— Loss on disposal of property, plant and equipment		32,039	-	7,924	-

Note 4: Income tax expense

	Note	Consolidated Group		Parent Entity	
		2009	2008	2009	2008
		\$	\$	\$	\$
a. The components of tax expense/(benefit) comprise:					
Current tax		-	-	-	-
Deferred tax		-	-	-	-
		-	-	-	-
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% (2008: 30%)					
— consolidated group		(4,123,183)	(2,179,021)	-	-
— parent entity		-	-	(2,509,912)	(1,279,253)
		(4,123,183)	(2,179,021)	(2,509,912)	(1,279,253)
Add:					
Tax effect of amounts which are not deductible					
— Entertainment		10,508	2,946	5,220	2,946
— Fines & penalties		7	82	7	82
— Gifts and donations		3,231	-	3,045	-
— Share option expense		879,652	248,130	879,652	248,130
— Deferred tax asset not brought to account		3,494,043	2,049,166	1,886,246	1,149,398
		264,258	121,303	264,258	121,303
Less:					
Tax effect of:					
— Tax concessions (research and development)		(264,258)	(121,303)	(264,258)	(121,303)
Income tax attributable to entity		-	-	-	-

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:

	5,834,166	2,604,381	2,830,342	1,208,354
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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.

NOTES TO THE FINANCIAL STATEMENTS

Note 5: Key management personnel compensation

Note	Consolidated Group		Parent Entity	
	2009 \$	2008 \$	2009 \$	2008 \$
— Short-term employee benefits	1,879,323	1,123,520	1,230,327	680,000
— Post-employment benefits	-	-	-	-
— Other long-term benefits	-	-	-	-
— Share-based payment	1,603,038	283,762	1,482,238	189,175
	<u>3,482,361</u>	<u>1,407,282</u>	<u>2,712,565</u>	<u>869,175</u>

Note 6: Auditors' remuneration

Remuneration of the auditor of the parent entity for:

— auditing or reviewing the financial report	76,714	41,698	76,714	41,698
— taxation services provided by related practice of auditor	20,867	17,850	20,867	17,850
	<u>97,581</u>	<u>59,548</u>	<u>97,581</u>	<u>59,548</u>

— amounts paid to a related practice of the auditor to rent temporary office space with rent paid monthly in advance. The agreement ended 31 December 2008 and the company has moved to new premises unrelated to the auditor.

	<u>32,453</u>	<u>75,835</u>	<u>32,453</u>	<u>75,835</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>4,297,221</u>	<u>12,180,297</u>	<u>3,911,049</u>	<u>9,363,903</u>
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Note 9: Trade and other receivables

	Note	Consolidated Group		Parent Entity	
		2009 \$	2008 \$	2009 \$	2008 \$
CURRENT					
Interest receivable		779	-	779	-
GST receivable		79,240	95,691	36,747	34,858
Payroll tax refundable		-	5,535	-	5,535
Amounts receivable from:					
— other related parties		-	-	-	-
Amounts receivable from:					
— wholly-owned subsidiaries	23a	-	-	11,568,465	1,773,600
— partly-owned subsidiaries		-	-	-	-
— key management personnel related entities		-	-	-	-
		80,019	101,226	11,605,991	1,813,993

Note 10: Interest in joint venture arrangements

On 2 September 2008, agreement was reached with Cockatoo Coal Limited (SE QLD Coal Pty Ltd's parent entity) for the variation of a 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 was:

- \$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 19).

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.

Note 11: Financial assets

	Note	Consolidated Group		Parent Entity	
		2009 \$	2008 \$	2009 \$	2008 \$
NON-CURRENT					
Available-for-sale financial assets	11a	-	-	33,058,376	33,055,376
		-	-	33,058,376	33,055,376
a. Available-for-sale financial assets comprise:					
Unlisted investments, at cost					
— shares in controlled entities		-	-	33,058,376	33,055,376
Total available-for-sale financial assets		-	-	33,058,376	33,055,376

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.

NOTES TO THE FINANCIAL STATEMENTS

Note 12: Controlled entities

a. Controlled entities consolidated

	Country of Incorporation	Percentage Owned (%)*	
		2009	2008
Ultimate Controlling Entity and Parent Entity:			
Ambre Energy Limited	Aust		
Subsidiaries of Ambre Energy Limited:			
Ambre Energy (Felton) Pty Ltd	Aust	100	100
Ambre Energy Exploration Pty Ltd	Aust	100	-
Ambre Energy North America, Inc.	USA	100	100
Ambre Energy Partners, Inc.	USA	100	100
Oil-Tech, Inc.**	USA	-	93
Ambre Energy Technology, LLC (formerly Millennium Synfuels, LLC)	USA	100	96
Ambre Energy Exploration, LLC	USA	100	-
Ambre Energy Montana, LLC	USA	100	-
Ambre Energy Coal Marketing, LLC	USA	100	-

* Percentage of voting power is in proportion to ownership

** refer to Note12(b)

b. Acquisition of controlled entities

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, was converted into the right to receive cash equal to USD \$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 USD \$1.00 per share. The cash consideration payable to former Oil-Tech, Inc security holders under the merger, was USD \$2,478,765.

As at 21 July 2008 Ambre Energy Partners, Inc. had acquired 93% of Oil-Tech, Inc. At that time the following consideration had been paid:

	\$AUD
Cash Consideration	7,438,245
Equity issued as consideration	18,361,177
Total Consideration paid prior to merger:	<u>25,799,422</u>

As a result of the merger on 21 July 2008, Ambre Energy acquired the remaining shares and other rights for the following consideration:

	\$AUD
Cash consideration (refer note 25b)	2,579,584
Total consideration paid for Oil-Tech, Inc.:	<u>28,379,006</u>

As at 30 June 2009 an amount of USD \$65,421 (AUD \$80,627) remains payable to former Oil-Tech security holders, and is included under sundry payables and accrued expenses (Note 17).

Note 13: Property, plant and equipment

	Consolidated Group		Parent Entity	
	2009 \$	2008 \$	2009 \$	2008 \$
Land and buildings				
Freehold land				
At cost	966,604	-	-	-
Total land	966,604	-	-	-
Buildings				
At cost	170,000	-	-	-
Accumulated depreciation	(44,402)	-	-	-
Total buildings	125,598	-	-	-
Total land and buildings	1,092,202	-	-	-
Plant and equipment				
At cost	6,625,342	5,443,680	402,224	322,039
Accumulated depreciation	(3,100,569)	(1,626,504)	(124,513)	(53,093)
	3,524,773	3,817,176	277,711	268,946
Leasehold improvements				
At cost	92,997	20,504	10,347	-
Accumulated amortisation	(4,791)	(1,973)	(978)	-
Total Leasehold Improvements	88,206	18,531	9,369	-
Total Plant and Equipment	3,612,979	3,835,707	287,080	268,946
Total Property, Plant and Equipment	4,705,181	3,835,707	287,080	268,946

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.

	Freehold Land \$	Buildings \$	Leasehold Improvements \$	Plant and Equipment \$	Total \$
Consolidated Group:					
Balance at 1 July 2007	-	-	19,970	4,722,093	4,742,063
Additions	-	-	2,212	723,361	725,573
Net exchange difference arising on translation of a foreign subsidiary into the presentation currency	-	-	(2,372)	(597,678)	(600,050)
Depreciation and amortisation expense	-	-	(1,279)	(1,030,600)	(1,031,879)
Balance at 30 June 2008	-	-	18,531	3,817,176	3,835,707
Additions	966,604	170,000	107,261	391,892	1,635,757
Disposals	-	-	(23,027)	(24,189)	(47,216)
Net exchange difference arising on translation of a foreign subsidiary into the presentation currency	-	-	(8,429)	620,393	611,964
Depreciation and amortisation expense	-	(44,402)	(6,130)	(1,280,499)	(1,331,031)
Balance at 30 June 2009	966,604	125,598	88,206	3,524,773	4,705,181

NOTES TO THE FINANCIAL STATEMENTS

Note 13: Property, plant and equipment (cont'd)

a. Movements in carrying amounts (cont'd)

	Freehold land \$	Buildings \$	Leasehold Improvements \$	Plant and Equipment \$	Total \$
Parent Entity:					
Balance at 1 July 2007	-	-	-	149,576	149,576
Additions	-	-	-	160,529	160,529
Depreciation and amortisation expense	-	-	-	(41,159)	(41,159)
Balance at 30 June 2008	-	-	-	268,946	268,946
Additions	-	-	10,347	96,391	106,738
Disposals	-	-	-	(16,205)	(16,205)
Depreciation and amortisation expense	-	-	(978)	(71,421)	(72,399)
Balance at 30 June 2009	-	-	9,369	277,711	287,080

Note 14: Intangible assets

	Consolidated Group		Parent Entity	
	2009 \$	2008 \$	2009 \$	2008 \$
Patents at cost	3,767,823	3,146,227	-	-
Accumulated amortisation	(509,591)	(264,750)	-	-
Net carrying value	3,258,232	2,881,477	-	-
Total intangibles	3,258,232	2,881,477	-	-

a. Movements in carrying amounts

	Consolidated Group		Parent Entity	
	2009 \$	2008 \$	2009 \$	2008 \$
Balance at the beginning of year	2,881,477	3,463,614	-	-
Additions	-	9,189	-	-
Amortisation charge (Note 3)	(193,330)	(172,510)	-	-
Net exchange difference arising on translation of	570,085	(418,816)	-	-
Closing value at the end of the year	3,258,232	2,881,477	-	-

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 15: Exploration and evaluation assets

Note	Consolidated Group		Parent Entity		
	2009	2008	2009	2008	
	\$	\$	\$	\$	
Mineral leases & exploration expenditure capitalised					
— Exploration and evaluation phases- Felton, Queensland, Australia	15a	6,373,642	4,294,234	-	-
— Exploration and evaluation phases- Utah, United States of America	15b	23,738,184	19,258,707	-	-
Total exploration expenditure		30,111,826	23,552,941	-	-
		30,111,826	23,552,941	-	-

a. Movements in carrying amounts

	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
Opening balance	4,294,234	329,654	-	-
Exploration expenditure capitalised	2,079,408	3,964,580	-	-
Closing Balance	6,373,642	4,294,234	-	-

Exploration expenditure of \$3,877,642 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 10).

Capitalised costs amounting to \$2,079,408 (2008: \$1,468,580) have been included in cash flows from investing activities in the cash flow statement.

b. Movements in carrying amounts

	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
Opening balance	19,258,707	3,520,714	-	-
Fair value uplift of mineral leases acquired	749,711	16,860,277	-	-
Assignment of leases to third parties	(10,520)	-	-	-
Net exchange difference arising on translation of a foreign subsidiary into the presentation currency	3,740,286	(1,122,284)	-	-
Closing balance	23,738,184	19,258,707	-	-

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.

Note 16: Other assets

		Consolidated Group		Parent Entity	
		2009	2008	2009	2008
		\$	\$	\$	\$
CURRENT					
Deposits paid		6,162	6,029	-	6,029
Other		5,318	-	5,318	-
Prepayments		43,257	27,582	20,494	23,409
		54,737	33,611	25,812	29,438
NON-CURRENT					
Deposits paid		65,752	17,549	-	-
Note Receivable		10,520	-	-	-
Cash backed bank guarantees	16a	172,920	-	172,920	-
		249,192	17,549	172,920	-

a. Restricted cash deposited with a bank as security under an office lease

NOTES TO THE FINANCIAL STATEMENTS

Note 17: Trade and other payables	Note	Consolidated Group		Parent Entity	
		2009	2008	2009	2008
		\$	\$	\$	\$
CURRENT					
Unsecured liabilities					
Trade payables		238,234	419,590	140,948	343,851
Sundry payables and accrued expenses		307,443	323,507	224,641	197,102
Amount due under contract of sales	17a	-	1,046,230	-	-
Share deposit funds	17b	-	200,000	-	200,000
Amounts payable to:					
— wholly-owned subsidiaries		-	-	-	-
— partly-owned subsidiaries		-	-	-	-
— key management personnel related entities	23a	27,614	-	-	-
		<u>573,291</u>	<u>1,989,327</u>	<u>365,589</u>	<u>740,953</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 10).
- 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	Long-term employee benefits	Other	Total
		\$	\$	\$	\$
Opening balance at 1 July 2008		66,992	-	1,449,770	1,516,762
Additional provisions		190,080	17,882	-	207,962
Amounts used	18a	(146,778)	-	(1,449,770)	(1,596,548)
Balance at 30 June 2009		<u>110,294</u>	<u>17,882</u>	<u>-</u>	<u>128,176</u>

Parent entity

		Short-term Employee	Long-term Employee	Other	Total
		\$	\$	\$	\$
Opening balance at 1 July 2008		66,992	-	-	66,992
Additional provisions		150,463	17,882	-	168,345
Amounts used		(127,961)	-	-	(127,961)
Balance at 30 June 2009		<u>89,494</u>	<u>17,882</u>	<u>-</u>	<u>107,376</u>

Analysis of total provisions

	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
Current	110,294	1,516,762	89,494	66,992
Non-current	17,882	-	17,882	-
	<u>128,176</u>	<u>1,516,762</u>	<u>107,376</u>	<u>66,992</u>

- a. 520,000 Ordinary shares in Ambre Energy Limited were issued on 26 September 2008 which reduced the the provision of \$1,449,770 due for the purchase of exploration permits to nil (see Note 10).

Note 18: Provisions (cont'd)**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 for long-term employee benefits

A provision has been recognised for employee entitlements relating to long service leave. The probability of long service leave being taken is based on historical data. The measurement and recognition criteria relating to employee benefits has been included in Note 1 to this report.

Note 19: Issued capital

Effective 1 July 1998 the corporations law abolished the concepts of authorised share capital and par value. Accordingly the parent entity has no authorised capital and its shares have no par value.

	Consolidated Group and Parent Entity		Consolidated Group and Parent Entity	
	2009 No.	2008 No.	2009 \$	2008 \$
Ordinary Shares- fully paid	276,213,100	25,461,737	58,747,769	48,449,019
	<u>276,213,100</u>	<u>25,461,737</u>	<u>58,747,769</u>	<u>48,449,019</u>
a. Ordinary shares				
At the beginning of the reporting period	25,461,737	17,090,000	48,449,019	9,994,200
Shares issued for purchase of exploration assets (see Note 10)	520,000	-	2,496,000	-
Shares issued during period prior to share sub-division 26 November 2008	1,637,573	8,371,737	7,860,350	38,593,759
Effect of share sub-division 1:10	248,573,790	-	-	-
Shares issued during period after sub-division 26 November 2008	20,000	-	-	-
Transaction costs relating to share issues	-	-	(57,600)	(138,940)
At the end of the reporting period	<u>276,213,100</u>	<u>25,461,737</u>	<u>58,747,769</u>	<u>48,449,019</u>

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

Capital Management

Management controls the capital of the group in order to ensure that the group can fund its operations and continue as a going concern. The group's capital includes ordinary share capital and there are no externally imposed capital requirements. Management effectively manages the group's capital by assessing the group'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 share issues to ensure adequate equity is raised as required. There have been no changes in the strategy adopted by management to control the capital of the group since the prior year.

NOTES TO THE FINANCIAL STATEMENTS

Note 19: Issued capital (cont'd)

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	
	2009 \$	2008 \$	2009 \$	2008 \$
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	568,458	313,694	338,006	297,893
— One year or later and not later than five years	2,394,146	1,395,503	1,511,127	1,395,503
— Later than five years	492,020	795,480	492,020	795,480
	3,454,624	2,504,677	2,341,153	2,488,876

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. Options exist under both leases for further terms of 7 and 5 years respectively.

Financial guarantees

Related party guarantees provided by the parent entity:

The parent entity has provided a guarantee to a third party in relation to the performance and obligations of the controlled entity, Ambre Energy North America, Inc., in respect to a property lease rental. The guarantee is for the term of the lease and represents a financial commitment of \$1,113,470 as at 30 June 2009. In addition a cash backed guarantee of \$172,290 (see Note 16a) is held as security for performance and obligations of the parent entity in respect to a property lease rental.

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

	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
b. Exploration expenditure commitments				
The consolidated entity has certain statutory obligations to undertake a minimum level of exploration activity in Exploration Commitments Payable:				
— Not later than 12 months	420,000	370,000	-	-
— One year or later and not later than five years	640,000	1,090,000	-	-
Tenement & Mineral Lease rental payable:				
— Not later than 12 months	83,182	84,492	-	-
— One year or later and not later than five years	266,753	229,459	-	-
— Later than five years	373,998	345,467	-	-
	1,783,933	2,119,418	-	-

c. Other commitments

On the 1st April 2009 the parent entity and the University of Utah, a body politic and corporate of the State of Utah, United States, amended the research agreement originally dated the 14th May 2007. This amendment reduced the total amount payable to the University to \$US 2,147,921 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 2009, amounts totalling \$US 1,290,691 have been paid to the University of Utah under this agreement.

This net commitment is shown below:

	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
— Not later than 12 months	1,056,483	1,715,045	1,056,483	1,715,045
d. Fees payable on Pilot Plant site, Utah, United States:				
— Not later than 12 months	4,662	3,117	-	-
— One year or later and not later than five years	18,649	12,468	-	-
— Later than five years	41,961	62,331	-	-
	65,272	77,916	-	-
e. Service Agreements	-	22,078	-	-
	-	22,078	-	-

f. Under an agreement for the purchase of land and buildings in Felton, Queensland, Australia entered into on 22 August 2008, the parent entity must allocate \$100,000 worth of shares upon an IPO by the company, based on the issue price of the shares in the prospectus, to the vendor of the land and buildings.

Note 22: Contingent liabilities and contingent assets

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

NOTES TO THE FINANCIAL STATEMENTS

Note 23: Related party transactions

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Details of transactions between the reporting entity and its related parties are as follows:

a. **Loans with wholly owned subsidiaries**

Loans made between the parent entity and wholly owned subsidiaries are non interest bearing. (Note 9 &17).

b. **Other related parties**

Consultancy services provided by a related party of Mr M Mewing whilst also serving as Chairman and non-executive director of Ambre Energy Limited totalled \$44,000 during the financial year. Amounts totalling \$USD 34,595 were also paid to Ms G Seffrin, a related party of M Mewing and employee of a controlled entity.

The company entered into an arrangement with Emerald Investments Pty Ltd, a related party of Mr J Russell, exploration manager of Ambre Energy Limited for the provision of industrial storage. Amounts paid to Emerald investments totalled \$9,740 during the financial year.

Rental and accounting fees were paid to the Ritchie Group, LC a related party of Mr P Ritchie (Director). Under the consultancy agreement The Ritchie Group LC was reimbursed for use of office space, office outgoings as well as contract accounting services provided to Ambre Energy Limited during the year. The total of these reimbursements was \$USD 60,932. Amounts totalling \$USD 9,000 were also paid to Mr J Ritchie, a related party of P Ritchie and employee of a controlled entity. The consolidated entity also disposed of office equipment to The Ritchie Group for \$USD 5,379. Loss on disposal of the office equipment was \$USD 874.

An amount of \$USD 500,000 was lent to Mr J Newitt, an associate of Mr P Ritchie as well as a shareholder in Ambre Energy Limited on 5 February 2009. The secured loan was lent on commercial terms at an interest rate of 12% per annum. The loan was fully repaid before 30 June 2009. Total interest charged and received was \$USD 19,733.

Note 24: Segment reporting

The Group has early adopted AASB 8 and therefore is not required to disclose segment information. Refer Note 1(p).

Note 25: Cash flow information

	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
a. Reconciliation of cash flow from operations with profit after income tax				
Profit/(loss) after income tax	(13,743,945)	(7,263,402)	(8,366,372)	(4,264,177)
Cash flows excluded from profit attributable to operating activities				
Non-cash flows in profit				
Amortisation	199,460	173,789	978	-
Depreciation	1,324,901	1,030,600	71,421	41,159
Share based payments	2,932,174	827,100	2,932,174	827,100
Fair value loss/ (gains)	-	172,086	-	131,108
Net loss on disposal of property, plant & equipment	32,039	-	7,924	-
Loss of minority interest prior to acquisition	-	(673,305)	-	-
Net gain on disposal of other assets	(64,477)	-	-	-
Effect of exchange rates on cash holdings in foreign currencies	(543,963)	65,491	(543,963)	29,726
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	4,756	(25,486)	4,756	36,087
(Increase)/decrease in other assets	(20,993)	(15,356)	3,626	(11,183)
Increase/(decrease) in trade payables and accruals	(233,981)	300,871	(177,254)	353,235
Increase/(decrease) in income taxes payable	-	414,535	-	414,535
Increase/(decrease) in provisions	61,183	55,407	40,384	55,407
Cashflow from operations	<u>(10,052,846)</u>	<u>(4,972,529)</u>	<u>(6,026,326)</u>	<u>(2,387,003)</u>

NOTES TO THE FINANCIAL STATEMENTS

Note 25: Cash flow information (Cont'd)

	Consolidated Group 2009 \$
b. Acquisition of entities	
During the year the remaining 7% of issued capital plus outstanding options and rights of the controlled entity Oil-Tech, Inc. was acquired and merged into Ambre Energy Partners, Inc. (See Note 12b).	
Purchase consideration	2,579,584
Equity consideration	-
Cash consideration	2,579,584
Less cash payable (included under note 17 sundry payables)	80,627
Cash outflow	<u>2,498,957</u>
Assets and liabilities held at acquisition date:	
Cash and Cash equivalents	1,523
Investment in Ambre Energy Technology, LLC, at fair value	28,377,483
	<u>28,379,006</u>
Goodwill recognised on consolidation	-
Minority equity interests in acquisitions	-
	<u>28,379,006</u>

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

c. Credit facilities

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

d. Non-cash fundraising and investing activities

i) Share issues:

Non cash equity movement represented by:

- 520,000 (5.2 million following subdivision) shares were issued for a consideration of \$2,496,000, see Note 10.

Note 26: Share-based payments

During the period a further 11,700,000 options were issued to employees under the Company's employee share option plan. The vesting of 3,800,000 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. The vesting of a further 3,400,000 options is subject to key management personnel meeting specified performance criteria. Further details of these options are provided in the Directors report.

On 28 January 2009 a total of 500,000 options were issued to former Directors of Ambre Energy Technology , LLC and Oil-Tech Inc. following their resignations from the controlled entities' boards.

All options granted are for 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			
	2009		2008		2009		2008	
	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	5,830,000		5,400,000	2.0	5,830,000		5,400,000	2.0
Effect of subdivision 1:10	52,470,000	0.22			52,470,000	0.22		
Granted	12,200,000	0.48	630,000	4.8	12,200,000	0.48	630,000	4.8
Expired	-	-	(200,000)	10.0	-	-	(200,000)	10.0
Outstanding at year-end	70,500,000	0.27	5,830,000	2.2	70,500,000	0.27	5,830,000	2.2
Exercisable at year-end	62,100,000	0.21	5,670,000	2.1	62,100,000	0.21	5,670,000	2.1

The options outstanding at 30 June 2009 had a weighted average exercise price of \$0.27 and a weighted average remaining contractual life of 2.8 years. Exercise prices range from \$0.20 to \$0.48 in respect of options outstanding at 30 June 2009.

The weighted average fair value of the options granted during the year was \$0.35

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

Weighted average exercise price	\$0.48
Weighted average life of the option	1-6 years
Underlying share price	\$0.48
Expected share price volatility	85.79%
Risk free interest rate	3.3-5.7%

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 Securities Exchange. An analysis of similar listed companies provides a volatility of 85.79%

Included under share-based payments in the income statement is \$2,932,174 (2008:\$827,100). These amounts relate, in full, to equity-settled share-based payment transactions.

NOTES TO THE FINANCIAL STATEMENTS

Note 27 Events after the balance sheet date

- i) Subsequent to reporting date, the parent entity issued 5,340,916 ordinary fully paid shares to private investors for a total consideration of \$2,563,640. Price per share was \$0.48.
- ii) Subsequent to reporting date, the parent entity issued 142,000 unsecured convertible notes to private investors for a total consideration of \$99,400. Issue price per note was \$0.70 and entitles the holder to an interest rate of 10% per annum on the issue price. Noteholders may elect to convert their notes at any time. Any notes not converted by the redemption date, being the last day of the quarter first to occur two years after the issue date, must be redeemed by the Company at the issue price on the redemption date.
- iii) On 10 July 2009, the parent entity established a wholly-owned subsidiary, Australian Synfuels Limited. Refer note 27 (v).
- iv) On 19 August 2009, a subsidiary, Ambre Energy Felton Pty Ltd paid \$80,000 to enter into an option agreement to purchase land and buildings in Felton, Queensland, Australia. The option expires on 19 August 2012. Purchase price will be determined by written agreement between the current owner and Ambre Energy Felton Pty Ltd following the date of exercise of the option.
- v) On 1 September 2009, Australian Synfuels Limited entered into a call option deed with Investa Commercial Developments Pty Limited, for the purchase of approximately 72 ha of land currently owned by Investa and approximately 16 ha of land owned by the Crown, contained within Swanbank Enterprise Park, Swanbank, Queensland, Australia. Under the option agreement Australian Synfuels Limited has paid \$50,020 and is required to pay a further \$100,000 by 1 September 2010 to extend the option expiry date to 5pm, 1 December 2010.
- vi) On 8 September 2009, the parent entity entered into a collaborative research agreement with the University of Queensland for investigation into the minimisation of the emissions from dimethyl ether (DME) combustion in a diesel engine. The University of Queensland was awarded a grant for the research project under the Australian Research Council's Linkage Project Scheme. The parent entity is required to contribute a total of \$275,330 in cash and equipment contributions and \$179,264 in in-kind contributions over the 3 year project.

The financial report was authorised for issue on 21 October 2009 by the board of directors.

Note 28: Financial Risk Management

The Group's financial instruments consist mainly of deposits with banks, short-term investments, accounts receivable and payable, loans to and from subsidiaries.

Consolidated Group	Floating Interest Rate		Non- Interest Bearing	
	2009	2008	2009	2008
Financial assets:	\$	\$	\$	\$
Cash and cash equivalents	4,297,221	12,180,297	-	-
Receivables	-	-	80,019	101,226
Other assets	172,920	-	-	-
Total financial assets	4,470,141	12,180,297	80,019	101,226

Weighted average effective interest rate	2.53%	2.58%	-	-
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Financial liabilities:	Floating Interest Rate		Non- Interest Bearing	
	2009	2008	2009	2008
	\$	\$	\$	\$
Trade and sundry payables	-	-	545,677	1,989,327
Amounts payable to related parties	-	-	27,614	-
Total financial liabilities	-	-	573,291	1,989,327

Parent Entity	Floating Interest Rate		Non- Interest Bearing	
	2009	2008	2009	2008
Financial assets:	\$	\$	\$	\$
Cash and cash equivalents	3,911,049	9,363,903	-	-
Receivables	-	-	37,526	40,393
Other assets	172,920	-	-	-
Investments in controlled entities	-	-	33,058,376	33,055,376
Amounts receivable from controlled entities	-	-	11,568,465	1,773,600
Total financial assets	4,083,969	9,363,903	44,664,367	34,869,369

Weighted average effective interest rate	2.74%	3.06%	-	-
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Financial liabilities:	Floating Interest Rate		Non- Interest Bearing	
	2009	2008	2009	2008
	\$	\$	\$	\$
Trade and sundry payables	-	-	365,589	740,953
Amounts payable to related parties	-	-	-	-
Total financial liabilities	-	-	365,589	740,953

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

	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
Less than six months	573,291	1,989,327	365,589	740,953

NOTES TO THE FINANCIAL STATEMENTS

Note 28: Financial instruments (cont'd)

Financial Risk Management Policies

The Audit and Risk Committee (ARC) has been delegated responsibility by the Board of Directors for, amongst other issues, monitoring and managing financial risk exposures of the Group. The ARC reviews the effectiveness of internal controls relating to currency risk, financing risk and interest rate risk. Minutes of the ARC are reviewed by the Board.

The ARC's overall risk management strategy seeks to assist the consolidated group in meeting its financial targets, while minimising potential adverse effects on financial performance. Its functions include the review of the use of hedging derivative instruments, and future cash flow requirements.

Specific Financial Risk Exposures and Management

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

a. Interest rate risk

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at reporting date whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments. The Group is also exposed to earnings volatility on floating rate instruments.

b. Liquidity risk

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Group manages this risk through the following mechanisms:

- preparing forward looking cash flow analysis in relation to its operational, investing and financing activities
- obtaining funding from a variety of sources
- maintaining a reputable credit profile
- managing credit risk related to financial assets
- investing only in surplus cash with major financial institutions

Financial assets pledged as collateral:

Certain financial assets have been pledged as security for contract guarantees and their realisation into cash may be restricted subject to the terms and conditions of the contract. Refer to Note 21 (a) for further details.

c. Foreign exchange risk

Exposure to foreign exchange risk may result in the fair value or future cash flows of a financial instrument fluctuating due to movement in foreign exchange rates of currencies in which the Group holds financial instruments which are other than the AUD functional currency of the Group.

With instruments being held by overseas operations, fluctuations in US Dollar may impact on the Group's financial results unless those exposures are appropriately hedged.

The following table shows the foreign currency risk on financial assets and liabilities of the group's operations denominated in currencies other than the functional currency of the operations.

Net financial assets/(liabilities) in AUD	Consolidated Group	
	2009	2008
Functional currency of the Group Entity	\$	\$
AUD	3,766,771	1,672,560
USD	210,098	8,619,636
Total	<u>3,976,869</u>	<u>10,292,196</u>

Note 28: Financial Risk Management (cont'd)

d. 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 30/06/2009.

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. Credit risk related to balances with banks and other financial institutions is managed by the ARC. The following table provides information regarding credit risk relating to cash and money market securities based on Standard & Poor's counter party credit ratings.

	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
Cash and cash equivalents excluding cash on hand				
— AA rated	3,990,595	9,374,792	3,909,583	9,363,637
— AA- rated	305,160	2,805,239	-	-
	<u>4,295,755</u>	<u>12,180,031</u>	<u>3,909,583</u>	<u>9,363,637</u>

e. 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

Sensitivity Analysis

The following table illustrates sensitivities to the Group's exposures to changes in exchange rates. The table indicates the impact on how profit and equity values reported at balance date would have been affected by changes in the relevant risk variable that management considers to be reasonably possible. These sensitivities assume that the movement in a particular variable is independent of other variables.

	Consolidated Group		Parent Entity	
	Profit	Equity	Profit	Equity
	\$	\$	\$	\$
Year ended 30 June 2009				
— +/- 10% in \$AUD/\$USD	+/- 426,000	+/- 426,000	-	-
Year ended 30 June 2008				
— +/- 10% in \$AUD/\$USD	+/- 301,224	+/- 301,224	-	-

Note 29: 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 29 to 67, are in accordance with the Corporations Act 2001 and;
 - (a) comply with Accounting Standards; and
 - (b) give a true and fair view of the financial position as at 30 June 2009 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.

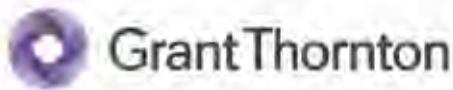
Edek Choros

Managing Director and Chief Executive Officer

Brisbane

21 October 2009

INDEPENDENT AUDITOR'S REPORT



INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF AMBRE ENERGY LIMITED

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We have audited the accompanying financial report of Ambre Energy Limited, (the company) which comprises the balance sheet as at 30 June 2009, 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, 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 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.

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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 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 opinions.

Independence

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

Auditor's opinion

In our opinion:

- 1 the financial report of Ambre Energy Limited 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 2009 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 and Going Concern

Without qualifying our opinion, the financial report includes patents (\$3,258,232 – note 14), capitalised exploration costs and mineral leases (\$30,111,820 – note 15) and the pilot retort plant (\$2,960,781 – note 13), valued by the directors using a fair value methodology. In addition, the financial report of the parent includes Investments in subsidiaries (\$33,058,376 – note 11) and Amounts receivable (\$11,568,465 – note 9) from subsidiaries.

The ultimate recovery of the above asset balances by the economic entity and parent 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 and mineral leases owned by the group.

INDEPENDENT AUDITOR'S REPORT



In addition, as detailed in Note 1(r), the group has forecast that it may deplete its current cash reserves by June 2010. Subsequent to year end, the company released an Information Memorandum to raise approximately \$10million. At the date of this report, the company has raised approximately \$2.6million via an issue of shares and convertible notes and the directors believe that the balance up to \$10million shall be received. This capital together with the planned capital raising in the USA later in this financial year should ensure the cash needs of the group will be met.

If this funding or alternative sources of capital are not able to be obtained, there exists significant uncertainty whether Ambre Energy Limited and its controlled entities would be able to continue as a going concern and therefore may be forced to realise its assets and extinguish its liabilities other than in the normal course of business and at the amounts stated in the financial report.

GRANT THORNTON QUEENSLAND PARTNERSHIP
Chartered Accountants

Daniel J Carroll
Partner

Brisbane

Dated 21 October 2009