BLUE ENSIGN TECHNOLOGIES LIMITED

ABN 91 086 332 836

formerly
e.Com Global Limited – to 3.9.02
Pacific International Limited – to 12.8.04

Annual Report

for the 12 months ended

31 December 2006

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CORPORATE DIRECTORY

Directors
Christopher Ryan – Executive chairman
Frank Ciotti – Non executive director
John Blumer – Non executive director

Company secretary and general counsel
Tatiana Kouznetsova

Operations management
John Rendall – Principal technologist
Cole Nelson – QSO general manager
V W (Val) Vaughn, Jr – Project manager
Sandy Rintoul - Consulting process engineer

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Chartered Accountant
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Solicitors
SBA Lawyers
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Rozelle NSW 2039
Telephone: (02) 9555 8654

Auditor
BDO
Chartered Accountants & Advisers
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Sydney NSW 2000

Stock exchange listing
Australian Securities Exchange
ASX Code: BLE

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CHAIRMAN'S REVIEW

For the first half of the year under review, the Company's sole activity was its unified messaging business. As previously reported, this business was seen by the Directors to have growth potential but too small a business base to sustain the costs associated with a public listed company and provide shareholders with an adequate return, even if the growth potential was realised in a reasonable time frame.

On 29 June 2006, shareholders approved a change to the nature and scale of the activities of BLE and in so doing to adopt as the main activity of the company "the further development, commercialisation and licensing of technology for the production of oil and minerals from oil shale and the mining and processing of oil shale". Shareholders also approved the acquisition of Australian Thermal Solutions Pty Ltd for a consideration of 113 million shares and 83 million options (50 cents, 30 April 2011). Frank Ciotti and John Blumer were elected directors of the Company, and John Porter and Alex Koszo resigned. I would like to express my appreciation of the efforts of Messrs Koszo and Porter for their endeavours to build value for the Company's shareholders over 7 years and 5 years respectively.

In the second half of the year, the unified messaging business was sold for $100,000.

The Company now has two significant assets:

- the exclusive licence for Australia to use and to sub-license the Rendall Process - patented solvent extraction technology for the production of shale oil from oil shale - together with a 30% interest in all revenues arising from licensing of the technology in the rest of the world. Further, it has been agreed in principle that the Company will acquire the intellectual property of the Rendall Process pursuant to an acquisition agreement; and

- 100% equity in Queensland Shale Oil Limited ("***QSO***"), the holder of EPM 12863, a tenement of 93 km^2 covering the core area of the large and well known oil shale deposit in northwest Queensland near Julia Creek, which has the potential to yield 1.5 to 2 billion barrels of oil* using the Rendall Process.

BLE's business plan involves three main steps:

- an IPO of QSO to raise $60 million for two purposes:

  - the construction and operation by QSO of a demonstration scale pilot plant in Townsville to refine design parameters for the first commercial scale plant;

  - the acquisition by QSO of additional interests in oil shale tenements suitable for commercial exploitation.

  The IPO for QSO is scheduled for May 2007;

- the funding and construction by QSO of the first commercial scale plant and mining operation at Julia Creek to produce approximately 15,000 bopd. Preliminary indications are for a capital cost of about US$200 million and a cash operating cost of less than US$20 per bbl (FOB Townsville). This will be followed by a full scale plant and mining operation to produce 50,000 bopd;

- the active marketing of licensed access to the Rendall Process to holders of oil shale resources around the world.

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* The resource referred to is not JORC compliant. It is derived by reference to a JORC compliant Indicated and Inferred Resource of 2,050 million tonnes containing 895 million bbls of oil based on Fischer Assay (a predictor of yield from conventional retorting processes), and laboratory test work using tetralin assay (which approximates the yield to be obtained by the Rendall Process) conducted on Julia Creek core sample material on behalf of QSO which indicated that the Rendall Process can be expected to produce 186% more oil than indicated by Fischer Assay.

The successful application of the Rendall Process to the Julia Creek oil shale resource will position both QSO as an oil producer, and BLE as owner of the Rendall Process, at the forefront of the development of a highly profitable and environmentally responsible oil from oil shale industry.

BLE believes that the Rendall Process will facilitate the addition of substantial quantities of unconventional oil from oil shale to the world's oil supplies, thereby moving further into the future the prospect that the world's economic engine will have insufficient supplies of oil at a price which the world's economies can afford. BLE also believes that the Rendall Process provides the prospect of the return to oil self-sufficiency in the United States in a shorter time than any other course of action.

The Rendall Process

The Rendall Process is based on wide ranging patents and involves two main steps:

- thermal conversion and hydrogenation of the organic matter in oil shale (kerogen) in a special type of organic solvent (called a hydrogen donor solvent) in a closed system at elevated temperature and pressure; and

- supercritical solvent extraction to strip product oil from the spent shale residue.

The principal benefits of the Rendall Process are expected to be as follows:

- **Product**: The principal product will be a high quality, high value, hydrogenated crude oil, low in sulphur, nitrogen and oxygen, and ready for sale to conventional oil refineries in Australia and overseas.

- **Oil extraction efficiency**: About 90% of the kerogen in the oil shale will be converted to oil, yielding on average approximately 1 barrel (159 litres) of oil per tonne of oil shale mined from the Julia Creek tenement. It is expected that the Rendall Process will enable production of oil of approximately 200% of Fischer Assay.

- **Environmental performance**: Emissions of greenhouse gases per barrel of oil will be minimised and solid waste disposal problems will be essentially eliminated. Solid sulphur will be recovered from the organic sulphur in the kerogen, for sale as a by-product. With no air in the closed process system, there can be no combustion of the kerogen or its breakdown products.

  It can be expected that the environmental performance of a Rendall Process facility will be similar to that of a conventional oil refinery of the same production capacity.

- **Suitable for scale-up**: The operation elsewhere in well proven commercial applications of all the unit process and unit operations equipment required for the Rendall Process flowsheet demonstrates that the Rendall Process is readily capable of substantial scale-up.

- **Self-sufficiency**: The principal inputs to a commercial scale Rendall Process facility will be the oil shale ore and the operating personnel. In normal operations, all other major inputs will be derived from the process itself:

  - both the hydrogen donor and the supercritical solvent extraction solvents will be recycled from distillation of the product oil stream;

  - methane off-gas from the process will be used for production of hydrogen for the hydrogen donor solvent, for on site power generation (with possible sales of excess power to the local power grid) and as the fuel for process heating; and

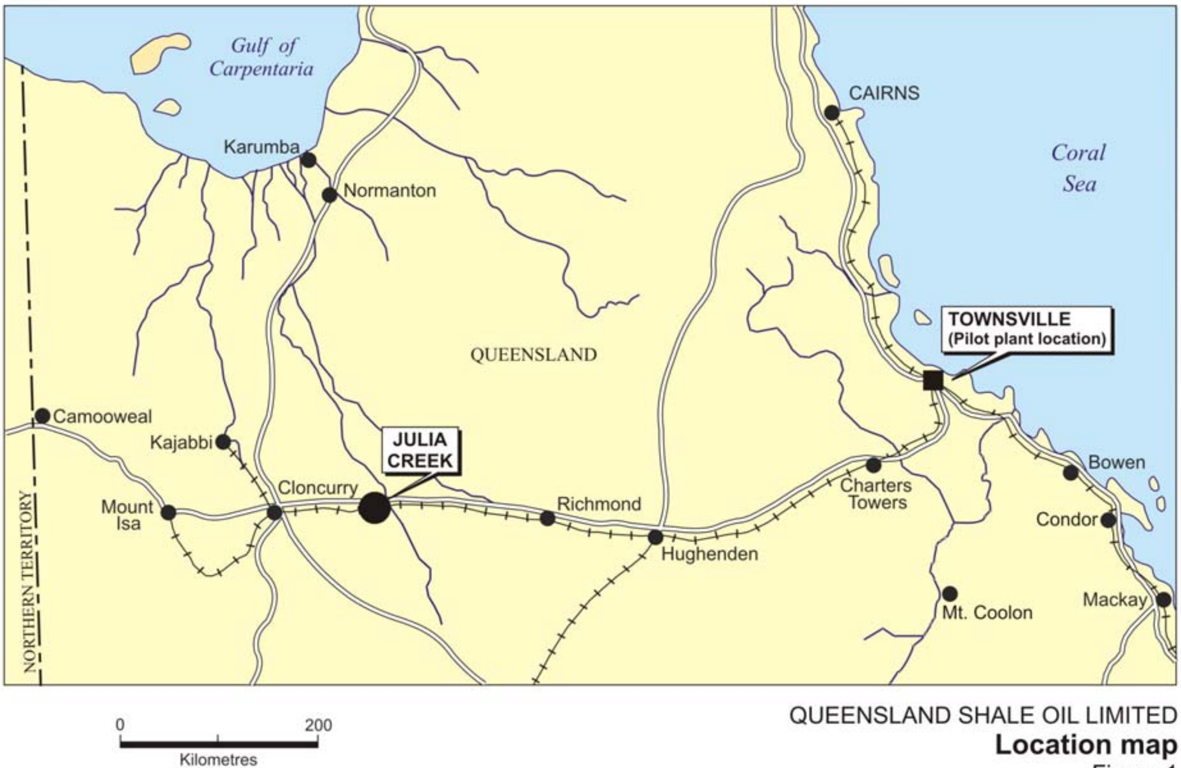
  - requirements for process water will generally be met by the water removed from the oil shale ore.

  Minor external supplies of power and natural gas will be needed for plant start ups, and treated water will be needed in small quantities for potable water, and for safety purposes.

- **Mineral by-products**: Depending on the economics of further processing, mineral by-products recoverable from the spent shale residue at Julia Creek could include vanadium and molybdenum oxides, and portland cement.

The Julia Creek tenement

The Julia Creek tenement, EPM 12863, is located near the township of Julia Creek, the administrative centre of McKinlay Shire in northwest Queensland, about 650 km west of the coastal city of Townsville and 250 km east of the major mining centre of Mt Isa.



QUEENSLAND SHALE OIL LIMITED
Location map
Figure 1

The permit (including a stock route under application) is 93 km^2 in area, and covers most of the core area of the Julia Creek deposit where oil shale grades are highest and overburden thickness lowest.

The deposit was discovered by Aquitaine Petroleum in 1965. Most of the field exploration programs and related technical studies were carried out between 1967 and 1988 by various Australian companies (including notably CSR Limited) at a total cost exceeding A$19 million (in money of the day). The two decades of work provided the bases for preliminary definition of the shale resource, open pit mining estimates, Fischer Assay yields (which reflect oil yields expected from retorting processes) and qualities of retorted crude oil. In addition, considerable work was directed to the economic recovery of vanadium, which is a minor but potentially significant component of the oil shale mineralisation.

The key features of the Julia Creek tenement are as follows:

- The Julia Creek deposit extends over a very wide area, and is one of the world's major oil shale occurrences. Kerogen constitutes some 15-20% of the shale, with typical Fischer Assays of 40-90 litres of oil per tonne of shale.

- The total Indicated Resource within EPM 12863 estimated from the drill holes and Fischer Assay database of CSR, is 850 million barrels of oil at an average grade of 70 litres/tonne. This estimate is based on a Fischer Assay cut off grade of 40 litres/tonne.

- The deposit is shallow, underlying a flat terrain and well suited to open pit mining. Average overburden stripping ratio is projected to be approximately 3:1.

- Independent work on similar oil shales from other world sources has given thermal solution yields of more than double the Fischer Assay yields. In addition, a series of comparative "retort versus Rendall Process" tests on samples of Julia Creek shale, conducted recently for the Company by HRL Technology Pty Ltd, confirmed these general findings. Accordingly, adoption of the Rendall Process suggests a readily accessible resource within the Julia Creek tenement of 1.5 to 2 billion barrels of oil.

The Julia Creek Project

The Julia Creek Project will be carried out in stages.

Stage IA: Pilot plant and associated activities: The first part of the program involves the construction and operation of a demonstration scale pilot plant in Townsville, Queensland. The work will include:

- drilling of additional boreholes in the Julia Creek shale to provide core samples for laboratory studies ahead of definitive pilot plant process design and revision of resource estimates to reflect rigorously the potential ability of the Rendall Process to achieve significantly higher shale oil production efficiencies than conventional retorting processes; and

- design, construction and operation of a pilot plant at Townsville, rated at 1 tonne/hour of oil shale derived from EPM 12863.

The program of work for these activities is expected to be complete within 2-2½ years, at an estimated cost in the vicinity of A$40 million.

Stage IB: Stage II planning, cost estimations and funding: Following the successful demonstration of the Rendall Process in continuous operation at the pilot plant, the necessary preparations will be made to enable the Stage II commercial scale plant and associated mining operation to be developed. The work will involve:

- collection and analysis of pilot plant operating results to refine and optimise process design parameters for the first stage commercial plant to be built at Julia Creek;

- preparation of the process design and sufficient engineering design to enable compilation of ±15% estimates of capital and operating costs for the first stage commercial plant;

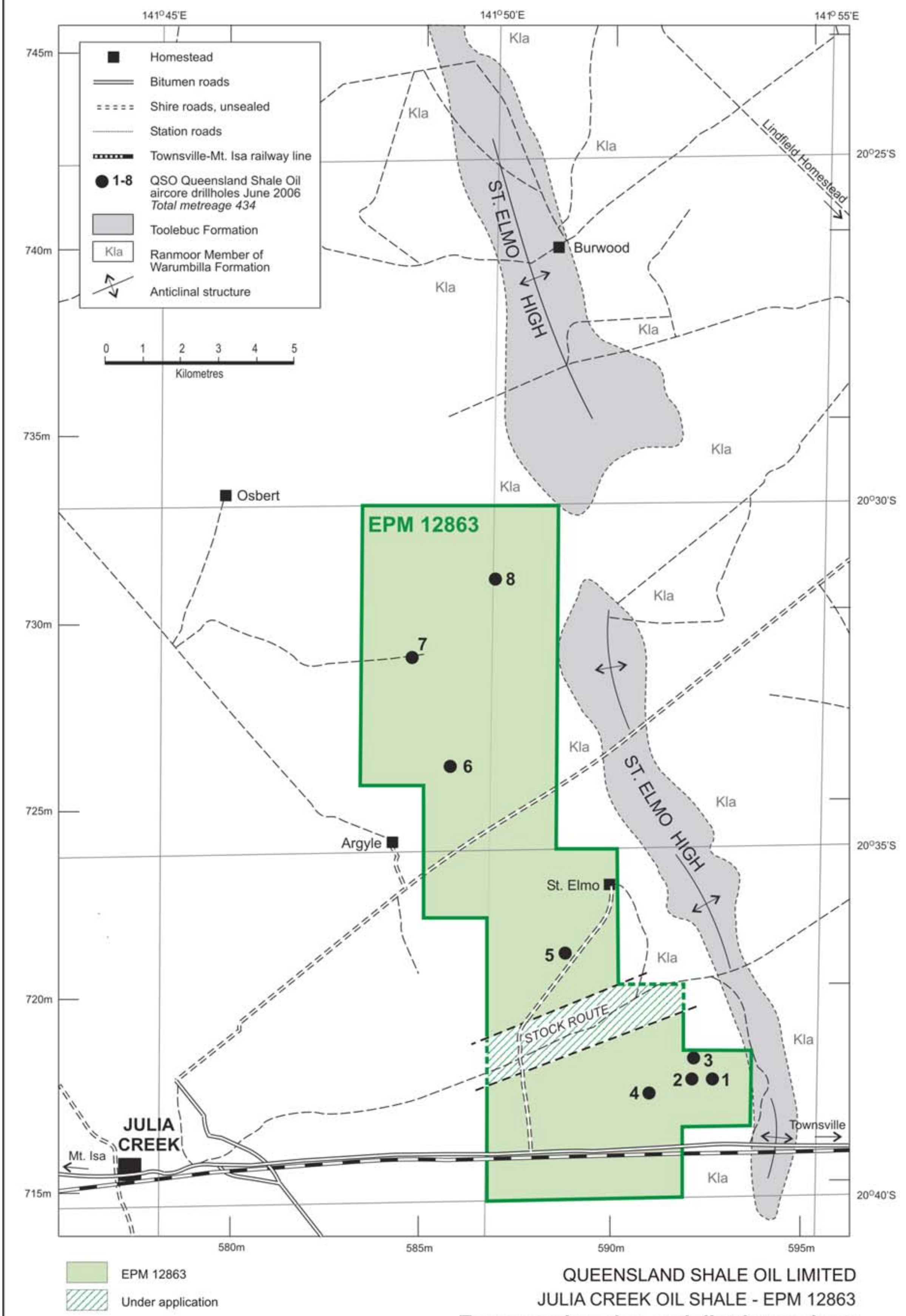
- technical and commercial evaluation of the crude oil product and its potential markets in Australia and overseas;

- establishment of commercial arrangements for transport and sale of the crude oil product from the first stage commercial plant;

- conduct of environmental and related studies required for pre-project permitting for the first stage commercial plant; and

- appraisal of funding options, compilation of documentation required to arrange funding, and completion of funding arrangements for the first stage commercial plant.

Stage II: First commercial scale plant: Establishment of the first commercial scale plant will entail construction, commissioning and operation of facilities at Julia Creek. The plant is foreseen to be rated at 600 tonnes/hour of oil shale, which is likely to deliver approximately 600 barrels of oil per hour, or approximately 15,000 bopd. Preliminary estimates indicate a capital cost of some US$200 million.



QUEENSLAND SHALE OIL LIMITED
JULIA CREEK OIL SHALE - EPM 12863
Tenement location and district geology
Figure 2

Stage III: Full scale commercial plant: The full scale commercial plant is envisaged to deliver approximately 50,000 barrels of oil per day. An early preliminary estimate of the capital cost is US$650 million.

Indicative economic performance of the Julia Creek project

An order of magnitude economic model has been prepared of the Stage II first commercial scale plant and mining operation, projected to be rated at about 15,000 bopd, on the basis of simplifying but cautious assumptions appropriate to the present stage in the commercialisation of the Rendall Process.

The economic model shows a long term cash operating cost (including transport to Townsville and outload to marine tankers for shipping to domestic or overseas refineries) of less than US$20/barrel. In addition, assuming an oil sale price of US$40/barrel, the unescalated, ungeared, pre-tax model indicates:

- a payback period for the initial investment of less than two years; and
- a net present value discounted at 10% per annum of approximately US$420 million.

In the interests of simplicity, the model covers only the construction period and the first eight years of operations. Total oil extraction by the end of the tenth year is assumed to be some 40 million barrels, amounting to a small percentage of the tenement's potential aggregate yield (using the Rendall Process) of 1.5 to 2 billion barrels of oil.

One of the underlying working assumptions is that the project is driven solely by oil production, so that the potential costs and revenues associated with extraction of mineral by-products are ignored. Also ignored is the potential of the intended substantial increase in the scale of the project, which would follow in the wake of successful operation of the first stage commercial plant.

Financial position

As at 31 March 2007, BLE had cash at bank of $1.135 million. A A$2 million seed capital raising at 30 cents per share was in progress, with A$1.492 million raised to 31.3.07.

Re-quotation on ASX
BLE has committed to use its best endeavours to take all steps necessary to apply for re-quotation of its shares on the ASX by 30 June 2007. It is anticipated that this will involve a small new issue of BLE shares at a price which reflects the successful completion of the QSO IPO, to allow BLE to meet the ASX spread requirements for re-quotation.

Chris Ryan

Christopher Ryan
Chairman

CORPORATE GOVERNANCE STATEMENT

Introduction

The Board of Blue Ensign is committed to adopting the highest standards of corporate governance for Blue Ensign and its controlled entities (the "Group") considering the size of the Group.

As discussed in the Chairman's Review above, throughout the first half of the financial year:

* the Company operated with much uncertainty as to its future;

* the Company did not pay any of its directors due to limited working capital.

On 29 June 2006, as a result of the acquisition of Australian Thermal Solutions Pty Ltd:

* the Company changed the nature and scale of its activities; and

* the composition of the Board changed. (In the first half of the year under review all three directors of the Company were non-executive directors. Since 29 June 2006, the board has comprised one executive director and two non-executive directors.)

The Company is a 'small cap' company and so must ensure that there is a benefit over the cost associated with the implementation of the Ten Essential Corporate Governance Principles and Best Recommendations in Corporate Governance ("Recommendations") released by the Australian Securities Exchange. The Board has noted that ASX has acknowledged this situation with small cap companies. To the extent they are applicable, the Company has adopted the Recommendations.

The Board sets out below its main corporate governance practices and its "if not, why not" report in relation to those matter of corporate governance where the Company's practices depart from the Recommendations.

1. The Board of Directors

The Directors are responsible to the shareholders for the performance of the Group in both the short and the longer term and seek to balance these sometimes competing objectives in the best interests of the Group as a whole. Their focus is to enhance the interests of shareholders and other key stakeholders and to ensure the Group is properly managed.

The Board operated in accordance with the principles set out below. In developing these principles, it has been recognized that the Company has a tightly held shareholder base, with nearly 90% of the voting shares in the Company being held by the 10 largest shareholders.

Composition of the Board
It has been determined that:

- the Board should comprise both executive and non-executive Directors with a majority of non-executive Directors. All Directors, but in particular non-executive Directors, are charged with exercising independent judgment and review performance and related risk issues in respect of operating activities.

- the Group will endeavour to maintain a mix of Directors from different backgrounds with complementary skills and experience.

- the Board should undertake an annual Board performance review and consider the appropriate mix of skills required by the Board to maximize its effectiveness and its contribution to the Company.

Responsibilities
The responsibilities of the Board include:
- oversight of the Group, including its controls and accountability systems;
- development and approval of corporate strategies and performance objectives;
- review and approval of the Group's business plans, the annual budgets and financial plans, including the resourcing of operating and capital requirements;
- overseeing and monitoring the organization's performance and the achievement of the Group's strategic goals and objectives, including acquisitions;
- identification and appointment, and removal of the Chief Executive Officer of the Group;
- monitoring financial performance including approval of the annual and half-yearly financial reports and liaison with the Company's auditors;
- appointment and assessment of the performance of any office holders of the Group;
- ensuring effective management processes are in place and approving major corporate initiatives;
- enhancing and protecting the reputation of the organisation;
- ensuring the significant risks facing the Group have been identified and appropriate and adequate control, monitoring and reporting mechanisms are in place; and
- reporting to shareholders.

Board members
Details of the members of the Board, their experience, expertise, qualifications and special responsibilities are set out in the Directors' Report.

Term of office
The Company's Constitution specifies that all Directors appointed either to fill a casual vacancy or as an additional Director will hold office until the next annual general meeting (AGM) at which the Director may offer himself or herself for re-election. The Company's Constitution also provides for Directors (except the Managing Director) to retire by rotation, with a Director having to retire at the conclusion of the third AGS after he or she was last elected. A Director may stand for re-election.

Commitment
The number of Board and committee meetings held during the year and the number of meetings attended by each of the Directors is set out in the Directors' Report. Non-executive Directors are expected to spend at least 12 days per year preparing for and attending Board and committee meetings.

Conflicts of interest
In accordance with the Corporations Act and the Company's Constitution, Directors must keep the Board advised, on an ongoing basis, of any interest which could potentially conflict with those of the Company. Where a matter is being considered by the Board in which a Director has a material personal interest, that Director may not be present while the matter is being considered and may not vote on the matter.

Independent professions advice
Directors and board committees have the right, in connection with their duties and responsibilities, to seek independent professional advice at the Group's expense. Prior written approval of the Chairman is required, but this will not be unreasonably withheld.

2. Board committees

Audit Committee
During the first half of the financial year, the audit committee consisted of Alex Koszo and Christopher Ryan. Since 1 July 2006, the functions and responsibilities of the audit committee have been undertaken by the full Board, with Frank Ciotti as Chairman for audit committee purposes. Once the size of the Board exceeds three Directors a separate audit committee will be established and, as far as is possible given the composition of the Board, the audit committee will consist of a majority of independent directors.

The main responsibilities of the audit committee are to:

- review and report to the Board on the annual and half-year financial reports and all other financial information published by the Company or released to the market;
- assist the Board in reviewing the effectiveness of the organisation's internal control environment covering:
  - effectiveness and efficiency of operations;
  - reliability of financial reporting;
  - compliance with applicable laws and regulations;
- oversee the effective operation of the risk management framework; and
- recommend to the Board the appointment, removal and remuneration of the external auditors, and review the terms of their engagement, and the scope and quality of the audit.

In fulfilling its responsibilities, the audit committee receives regular reports from management and external auditors. It also meets with the external auditors at least twice a year – more frequently if necessary. The external auditors have a clear line of direct communication at any time to either the chairman of the audit committee or the chairman of the Board. The audit committee has authority, within the scope of its responsibilities, to seek any information it requires from any employee or external party.

Remuneration Committee
During the first half of the financial year, the remuneration committee (formed in the financial year ended 31 December 2002) consisted of Christopher Ryan and John Porter. Since 1 July 2006, the functions and responsibilities of the remuneration committee have been undertaken by the full Board. Once the size of the Board exceeds three Directors a separate remuneration committee will be established and, as far as is possible given the composition of the Board, the remuneration committee will consist of a majority of independent directors.

The remuneration committee reviews the remuneration policies applicable to all directors and executive officers on an annual basis and makes recommendations on remuneration packages and terms of employment to the Board.

Remuneration packages, which consist of base salary, fringe benefits, incentive schemes (including performance-related bonuses and shares options), superannuation and entitlements upon retirement or termination are reviewed with due regard to performance and other relevant factors. In order to retain and attract executives of sufficient calibre to facilitate the efficient and effective management of the Company's operations, the remuneration committee seeks the advice of external advisers in connection with the structure of remuneration packages.

3. Ethical standards

The purchase and sale of Company securities by directors is only permitted during the thirty day period following the release of the half-yearly and annual financial results to the market. Any transaction undertaken must be notified to the company secretary in advance.

4. Explanation for Departures from Best Practice Recommendations

Principle 2 Recommendation 2.1

Notification of Departure
The Board does not have a majority of independent Directors.

Explanation for Departure
The Board has been structured such that its composition and size enables it to effectively discharge its responsibilities and duties. Each Director has the relevant industry experience and specific expertise relevant to the Company's business and level of operations.

The Board considers that its structure is, and will continue to be, appropriate in the context of the Company's recent history. The Company considers that the non-independent Directors possess the skills and experience suitable for building the Company. Furthermore, the Board considers that in the current phase of the Company's growth, the Company's shareholders are better served by directors who have a vested interest in the Company. The Board intends to reconsider its composition as the Company's operations evolve, and may appoint independent directors as it deems appropriate.

Principle 2 Recommendations 2.2 and 2.3

Notification of Departure
Mr Christopher Ryan serves as the Executive Chairman of the Company.

Explanation for Departure
The Board has taken the view that it is in the best interest of the Company and its shareholders that Mr Christopher Ryan serves in such capacity at the present stage of development of the Company's business.

Principle 2 Recommendation 2.4

Notification of Departure
Since 1 July 2006 the full Board carries out the role of a remuneration and nomination committee.

Explanation for Departure
The Board considers that in the current circumstances of the Company no efficiencies or other benefit would be gained by establishing a separate remuneration and nomination committee. Once the size of the Board exceeds three Directors separate remuneration and nomination committee will be established and, as far as is possible given the composition of the Board, the remuneration and nomination committee will consist of a majority of independent directors.

Principle 3 Recommendation 3.1 and Principle 10 Recommendation 10.1

Notification of Departure
The Company established a formal code of conduct in April 2007.

Explanation for Departure
The Board considers that, before the Code of Conduct was formalised and adopted, its business practices, as led by the Board and key executives, were the equivalent of a code of conduct.

Principle 3 Recommendation 3.2.

Notification of Departure
The Company established a formal policy regarding trading in the Company's securities in April 2007.

Explanation for Departure
Although during the reporting period there was no written policy, all directors, officers and employees of the Company understood when it was appropriate for trading in securities to occur (in line with the law relating to the prohibitions on insider trading, set out in the Corporations Act). This has now been formalised.

Principle 4 Recommendation 4.2 and 4.3

Notification of Departure
Since 1 July 2006 the full Board carries out the role of an audit committee, with Frank Ciotti as Chairman for audit committee purposes.

Explanation for Departure
The Board considers that in the current circumstances of the Company no efficiencies or other benefit would gained by establishing a separate audit committee. The Board also relies on the functions and capabilities of its external auditors to ensure proper audit of financial statements. While the Board considers this process sufficient to ensure integrity in financial reporting in the current circumstances, it will continue to monitor whether any further safeguards are required and make changes as appropriate. Once the size of the Board exceeds three Directors a separate audit committee will be established and, as far as is possible given the composition of the Board, the audit committee will consist of a majority of independent directors.

SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at 31 March 2007.

Distribution of equity securities

Analysis of numbers of equity security holders by size of holding:

	Shares			Options (50 cents, 30.4.11)		
	No of holders	No of securities	%	No of holders	No of securities	%
1 – 1,000	1,137	303,214	0.25%	1	20	0.00%
1,001 – 5,000	105	232,599	0.19%	-	-	-
5,001 – 10,000	16	114,649	0.09%	-	-	-
10,001 – 100,000	24	1,283,433	1.06%	3	300,000	0.36%
100,001 and over	33	119,637,067	98.41%	15	82,700,000	99.64%
Totals	1,315	121,570,962	100.00%	19	83,000,020	100.00%

There were 1,180 holders of less than a marketable parcel of ordinary shares. The determination of the number of holders with less than a marketable parcel of ordinary shares is based on the share price at the time that shares in the company were last traded and listed for quotation. This was 27 July 2001 at which time shares in the company became suspended from trading.

Equity security holders

Twenty largest shareholders

The names of the twenty largest shareholders are listed below:

	Ordinary shares	
Name	**Number held**	**%**
JSG-A Limited Partnership	52,500,000	43.18%
HSBC Custody Nominees (Aust) Limited – GSI ECSA	26,800,000	22.04%
Frank & Shari Ciotti	12,500,000	10.28%
HSBC Custody Nominees (Aust) Limited – GSI EDA	3,200,000	2.63%
Kahika Pty Ltd <Superannuation Fund A/C>	2,600,000	2.14%
EDS Pty Ltd <Rintoul Super Fund A/C>	2,600,000	2.14%
Poduta Pty Ltd	2,600,000	2.14%
Frank J Ciotti	2,500,000	2.06%
Tracey Russell	2,500,000	2.06%
Christopher Ryan	2,000,000	1.65%
Invia Custodian Pty Limited <WAM Capital Limited A/C>	1,750,000	1.44%
I-Spire Plc	1,535,322	1.26%
Abancourt Holdings Pty Ltd	1,000,000	0.82%
Invia Custodian Pty Limited <WAM Equity Fund A/C>	750,000	0.62%
DGAZ Pty Ltd <Super Fund A/C>	600,000	0.49%
Michael John Slade	500,000	0.41%
Treskar Pty limited <The Colin Thomas & Co S/F>	500,000	0.41%
R & B Investments Pty Ltd <A/C R & B Pension Fund>	375,000	0.31%
Peter Arundel Vial <Vial Super Fund A/C>	333,333	0.27%
Travel & Technology Consulting Limited	250,000	0.21%
	117,393,675	96.56%

Unlisted options

	Number on issue	Number of holders
Options (20 cents, 31 December 2008)	1,000,000	2
Options (50 cents, 30 April 2011)	83,000,020	19
Options (30 cents, 30 June 2012)	100,000	1

Substantial holders

Substantial holders in the company are set out below:

	Ordinary shares	
	Number held	%
JSG-A Limited Partnership	52,500,000	43.18%
Commonwealth Bank of Australia and its subsidiaries	30,000,000	24.68%
Frank and Shari Ciotti	17,500,020	14.39%

Voting rights

The voting rights attaching to each class of equity securities are set out below:

Ordinary shares
On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Options
No voting rights.

Restricted Securities

The following securities are restricted from trading:	Shares	Options (50 cents, 30.4.11)
Until 29 June 2007	37,775,000	7,775,000
Until 24 months after reinstatement to quotation of shares in the Company	75,106,020	75,000,020

BLUE ENSIGN TECHNOLOGIES LIMITED
AND CONTROLLED ENTITIES

A.C.N. 086 332 836

FINANCIAL REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2006

The directors of Blue Ensign Technologies Limited submit herewith the annual financial report for the financial year ended 31 December 2006. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

The names and positions of the directors and company secretary of the company during or since the end of the financial year are:

Christopher Ryan (Executive Chairman) Appointed 29.8.02; (Company Secretary, Resigned 28.7.06)

Christopher Ryan is the Principal of Westchester Corporate Finance, a Sydney based corporate advisory firm specialising in advising on mergers and acquisitions and associated transactions. Prior to forming Westchester in July 1996, Christopher was with Schroders Australia Limited for 27 years, the majority of which were as a Director of the Corporate Finance Division specialising in advising on project financing and mergers and acquisitions mainly in the Australian minerals and oil and gas sectors. In addition he has been the chairman and/or a director at various times of a number of Australian companies listed on the ASX. At present, he is chairman of Golden Cross Resources Ltd and a director of Bentley International Limited and Scarborough Equities Limited.

Frank Ciotti (Non-Executive Director) Appointed 29.6.06

Frank Ciotti is a Certified Public Accountant with approximately 40 years of financial and management experience. Frank graduated Magna Cum Laude with a Business Degree from University of California at Los Angeles in 1967. Frank currently serves as President and Director of Q Transport, Inc., a company specialising in the import movement of cargo containers in Southern California. He is a seasoned financial manager specialising in start-up companies. Frank has a long-standing and successful working relationship with John Rendall in commercialising technologies and innovations, which will reinforce the necessary direction for financial return to investors.

John Blumer (Non-Executive Director) Appointed 29.6.06

John Blumer has over 40 years of experience in the Australasian and international oil exploration industry. He formed his own consulting firm in 1975, and became a major shareholder and director of RobSearch Australia in 1990. He is specifically responsible for all petroleum related activities of RobSearch, specialising in exploration management, valuation of exploration and production interests and the preparation of statutory reports. He is a member of the VALMIN Committee of the AusIMM, advising the Australian Securities Exchange and the Australian Securities and Investments Commission with respect to mineral valuation issues, and is past-President of the Earth Resources Foundation of the University of Sydney.

Alex Koszo (Non-Executive Director) Resigned 29.6.06
John Porter (Non-Executive Director) Resigned 29.6.06

Tatiana Kouznetsova (Company Secretary) Appointed 28.7.06

Tatiana is a partner in a boutique Sydney law firm, SBA Lawyers. Tatiana's practice is focused on commercial transactions and corporate advisory, principally in technology field, including shareholders arrangements and strategic alliances, corporate restructures, share buy-backs, corporate governance, directors duties and continuous disclosure obligations. Tatiana graduated from UNSW in 2000 with a Bachelor of Laws degree. She also holds Bachelor of Laws degree from Irkutsk State University (Russia) and Master of Laws in Media, Communications and Information Technology Law degree from UNSW. Tatiana is admitted to practice as solicitor and barrister in NSW.

Principal Activities

For the first half of the year under review, the principal activity of the consolidated entity was the provision of unified messaging services.
On 29 June 2006, shareholders approved a change to the nature and scale of the activities of the consolidated entity to the further development, commercialisation and licensing of technology for the production of oil and minerals from oil shale and the mining and processing of oil shale. Subsequently, the consolidated entity sold the unified messaging services operations.

Review of Operations

The results of the operations of the company and the consolidated entity during the financial year were as follows:

	Consolidated		Blue Ensign Technologies Ltd	
	2006	2005	2006	2005
	$	$	$	$
(Loss) / Profit after income tax	(1,951,553)	(117,494)	(513,502)	(120,867)

On 29 June 2006, Blue Ensign Technologies Limited acquired Australian Thermal Solutions Pty Ltd which has as its main activity the exploration and evaluation of an oil shale tenement in Queensland and the application to it of licensed process technology for the production of shale oil. Under the requirements of AASB 3 *Business Combinations* , this acquisition has been treated as a "reverse acquisition" because the effective control of Blue Ensign Technologies Limited passed from the former Blue Ensign Technologies shareholders and directors to the Australian Thermal Solutions shareholders and directors.

Blue Ensign Technologies Limited sold its unified messaging services for $100,000.

Changes in State of Affairs

There was no significant change in the state of affairs of the consolidated entity other than that referred to in the financial statements or notes thereto.

Post Balance Date Events

There were no events subsequent to balance date which require disclosure in these accounts.

Future Developments

Disclosure of information other than that disclosed elsewhere in this report regarding likely developments in the operations of the consolidated entity in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the consolidated entity. Accordingly, this information has not been disclosed in this report.

Environmental Regulations

The directors believe that the company has adequate systems in place for the management of its environmental requirements and are not aware of any significant breaches of these environmental requirements during the period covered by this report.

Dividends

No dividends have been paid or declared since the start of the financial year. The directors do not recommend the payment of a dividend in respect of the year ended 31 December 2006.

Share Options

During the financial year no share options were granted to any person, other than 83,000,020 options (50 cents, expiry date 30.4.11) issued as part consideration for the acquisition of Australian Thermal Solutions Pty Ltd. Since the end of the financial year 100,000 options (30 cents, 30.6.12) were issued.

Indemnification of Officers And Auditors

The company has not, during or since the financial year, indemnified or agreed to indemnify an officer or auditor of the company or of any related body corporate against a liability incurred as such an officer or auditor.

Auditors' Independence Declaration

The auditors' declaration of independence is attached to this directors report on page 18.

Directors' Meetings

The following table sets out the number of directors' meetings held during the financial year and the number of meetings attended by each director (while they were a director). During the financial year, one audit committee meeting was held.

	Board of Directors		Audit Committee	
	Held	**Attended**	**Held**	**Attended**
Christopher Ryan	7	7	1	1
Frank Ciotti (Appointed 29.6.06)	4	4	1	1
John Blumer (Appointed 29.6.06)	4	4	1	1
Alex Koszo (Resigned 29.6.06)	3	3	-	-
John Porter (Resigned 29.6.06)	3	2	-	-

REMUNERATION REPORT

Remuneration policy

The company's policy for determining the nature and amount of emoluments of board members and senior executives of the company is as follows:

The remuneration structure for executive officers, including executive directors, seeks to emphasise payment for results through providing appropriate reward schemes.

The objective of the reward schemes is to both reinforce the short and long term goals of the company and to provide a common interest between management and shareholders.

REMUNERATION REPORT (CONTINUED)

Details of Directors' remuneration for the year ended 31 December 2006

Paid by Blue Ensign Technologies Limited	Salary	Superannuation	Director's Fees	Consulting Fees	Total
	$	$	$	$	$
Christopher Ryan	25,000	2,250	-	-	27,250
Frank Ciotti (Appointed 29.6.06)	-	-	12,500	-	12,500
John Blumer (Appointed 29.6.06)	-	-	12,500	-	12,500
Alex Koszo (Resigned 29.6.06)	-	-	-	-	-
John Porter (Resigned 29.6.06)	-	-	-	-	-
	25,000	2,250	25,000	-	52,250

Paid by Blue Ensign Technologies Limited - Group	Salary	Superannuation	Director's Fees	Consulting Fees	Total
	$	$	$	$	$
Christopher Ryan	25,000	2,250	-	36,000	63,250
Frank Ciotti (Appointed 29.6.06)	-	-	12,500	47,999	60,499
John Blumer (Appointed 29.6.06)	-	-	12,500	36,000	48,500
Alex Koszo (Resigned 29.6.06)	-	-	-	-	-
John Porter (Resigned 29.6.06)	-	-	-	-	-
	25,000	2,250	25,000	119,999	172,249

Details of Directors' remuneration for the year ended 31 December 2005

Paid by Blue Ensign Technologies Limited	Salary	Superannuation	Director's Fees	Consulting Fees	Total
	$	$	$	$	$
Christopher Ryan	-	-	-	-	-
Alex Koszo	-	-	-	-	-
John Porter	-	-	-	-	-
	-	-	-	-	-

Paid by Blue Ensign Technologies Limited - Group	Salary	Superannuation	Director's Fees	Consulting Fees	Total
	$	$	$	$	$
Christopher Ryan	-	-	-	-	-
Alex Koszo	-	-	-	-	-
John Porter	-	-	-	-	-
	-	-	-	-	-

Executive Officers' Remuneration

All executive officers of the company are directors.

Directors' Interests

	Ordinary Shares		Options (50c, 30.4.11)	
	Direct	Indirect	Direct	Indirect
Christopher Ryan	2,000,000	375,000	2,000,000	-
Frank Ciotti (Appointed 29.6.06)	12,500,020	5,000,000	12,500,020	5,000,000
John Blumer (Appointed 29.6.06)	-	2,800,000	-	2,800,000

All options held were issued during the year on the acquisition of Australian Thermal Solutions Pty Ltd. Full details of options issued are contained in Note 19.

Share Options

84,000,020 options to take up ordinary shares issued remain unexercised at 31 December 2006. During the year, 83,000,020 options were issued. 500,000 options expired during the year. Further information is given in Note 19 to the financial statements.

Option holders do not have any right, by virtue of the option, to participate in any share issue of the company or any related body corporate or in the interest of any other registered scheme.

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

On behalf of the Directors

C B RYAN
Director

Sydney, 30 April 2007

BDO Kendalls

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of Blue Ensign Technologies Limited for the year ended 31 December 2006, I declare that, to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

W Basford
Partner

BDO Kendalls
Chartered Accountants

Sydney, this 30th day of April 2007

BDO Kendalls

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INDEPENDENT AUDIT REPORT TO THE MEMBERS OF BLUE ENSIGN TECHNOLOGIES LIMITED

Scope

The Financial Report and Directors' Responsibility

The financial report comprises the balance sheet, income statement, cash flow statement, statement of changes in equity, accompanying notes to the financial statements, and the directors' declaration for both Blue Ensign Technologies Limited (the company) and the consolidated entity, for the year ended 31 December 2006. The consolidated entity comprises both the company and the entities it controlled during that year.

As permitted by the Corporations Regulations 2001, the company has disclosed information about the compensation of key management personnel ("compensation disclosures"), as required by Accounting Standard AASB 124 *Related Party Disclosures*, under the heading "Remuneration Report" on page 17 within the directors' report and not in the financial report.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report. The directors are also responsible for the preparation and presentation of the compensation disclosures contained in the directors' report in accordance with the Corporations Regulations 2001.

Audit Approach

We have conducted an independent audit in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement and that the compensation disclosures in the directors' report comply with Accounting Standard AASB 124. The nature of an audit is influenced by factors such as the use of professional judgment, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, including compliance with Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows and whether the compensation disclosures in the directors' report comply with Accounting Standard AASB 124.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report and the compensation disclosures in the directors' report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

The independence declaration given to the directors in accordance with section 307C would be in the same terms if it had been given at the date of this report.

Qualification

Carrying value of intangibles and investment in subsidiary

Blue Ensign Technologies Limited has an intangible asset being the Rendall Process licence of $909,540 and an investment in subsidiaries in the parent company's balance sheet of $11,950,002. Key accounting assumptions relating to these figures are described in note 3. Critical to the valuation of these items is firstly the raising of sufficient funds to keep the group running and to build a pilot plant and secondly the successful commercialisation of the Rendall Process technology.

Given the inherent uncertainty that sufficient funds can be raised and that the Rendall Process technology will prove to be commercially viable, we have been unable to form an opinion as to whether the carrying value of intangibles and investment in subsidiaries is not overstated. Therefore, we do not express an opinion as to whether the carrying value of intangibles and investment in subsidiaries is not materially misstated.

Qualified Audit Opinion

In our opinion, except for the effects on the financial report of such adjustments, if any, as might have been required had the limitation of scope of work as described in the qualification paragraph had not existed, the financial report of Blue Ensign Technologies Limited is in accordance with:

(a) the Corporations Act 2001, including:

   (i) giving a true and fair view of the company's and consolidated entity's financial position as at 31 December 2006 and of its performance for the year ended on that date; and

   (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

(b) other mandatory financial reporting requirements in Australia; and

and the compensation disclosures that are contained in page 5 within the directors' report comply with Accounting Standard AASB 124.

Uncertainty Regarding Going Concern

Without qualification to the opinion expressed above, we note that the consolidated report of Blue Ensign Technologies Limited has been prepared on the basis that the consolidated entity will continue as a going concern - refer Note 1. We note that the ability of the consolidated entity to continue as a going concern is dependent upon the achievement of commercialisation of the Rendall Process technology and the ability of the consolidated entity to raise additional equity.

BDO Kendalls

BDO Kendalls
Chartered Accountants

W Basford
Partner

Sydney, this 30th day of April 2007

BLUE ENSIGN TECHNOLOGIES LIMITED
AND CONTROLLED ENTITIES
DIRECTORS' DECLARATION

The directors declare that:

(a) in the directors' opinion, there are reasonable grounds to believe that the company and the consolidated entity will be able to pay its debts as and when they become due and payable; and

(b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the company and theconsolidated entity.

(c) the directors have been given a declaration by the Executive Chairman (who also carries out the function of Chief Executive Officer) and the Chief Financial Officer pursuant to section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of the directors made pursuant to s295(5) of the Corporations Act 2001.

On behalf of the Board of Directors

C B RYAN
Director

Sydney, 30 April 2007

BLUE ENSIGN TECHNOLOGIES LIMITED
AND CONTROLLED ENTITIES
INCOME STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2006

	Note	Consolidated		Blue Ensign Technologies Ltd	
		2006	2005	2006	2005
		$	$	$	$
Revenue	4	29,791	-	91,649	28,332
Administration expenses		(893,695)	(33,782)	(312,125)	(84,854)
Technology development costs		(217,957)	-	-	-
Corporate costs		(20,219)	(1,081)	(67,716)	(24,799)
Depreciation and amortisation expense		(19,567)	-	(1,007)	(2,854)
Employee benefits expense		(210,478)	-	(144,180)	-
Occupancy expenses		(8,833)	-	(8,833)	(615)
Travel expenses		(71,188)	-	(13,031)	-
Write down value of investments		-	-	-	(132,218)
Goodwill Impairment		(437,167)	-	-	-
Decrease in provision for doubtful debts		-	-	-	97,300
Exploration expenses		(15,980)	(81,208)	-	-
Other expenses		(86,260)	(1,423)	(58,259)	(1,159)
(Loss) / profit before income tax (expense)/benefit	5	(1,951,553)	(117,494)	(513,502)	(120,867)
Income tax (expense)/benefit	6	-	-	-	-
Net (loss) / profit after related income tax (expense)/benefit	20	(1,951,553)	(117,494)	(513,502)	(120,867)
Basic and diluted loss per share (cents per share)	7	(1.90)	(0.14)		

The above income statements should be read in conjunction with the accompanying notes.

BLUE ENSIGN TECHNOLOGIES LIMITED
AND CONTROLLED ENTITIES
BALANCE SHEETS
AS AT 31 DECEMBER 2006

	Note	Consolidated		Blue Ensign Technologies Ltd	
		2006	2005	2006	2005
		$	$	$	$
CURRENT ASSETS					
Cash and cash equivalents	9	242,653	698	159,457	88,621
Trade and other receivables	10	114,763	15,810	100,938	5,819
TOTAL CURRENT ASSETS		357,416	16,508	260,395	94,440
NON-CURRENT ASSETS					
Trade and other receivables	11	10,000	-	1,000	330
Other financial assets	12	-	-	11,950,002	67,782
Property, plant and equipment	13	9,175	-	9,175	-
Exploration expenditure	14	650,000	650,000	-	-
Intangible assets	15	909,440	928,000	-	-
TOTAL NON-CURRENT ASSETS		1,578,615	1,578,000	11,960,177	68,112
TOTAL ASSETS		1,936,031	1,594,508	12,220,572	162,552
CURRENT LIABILITIES					
Trade and other payables	16	383,205	-	155,812	30,708
TOTAL CURRENT LIABILITIES		383,205	-	155,812	30,708
NON-CURRENT LIABILITIES					
Trade and other payables	17	-	1,640,000	1,167,500	71,084
TOTAL NON-CURRENT LIABILITIES		-	1,640,000	1,167,500	71,084
TOTAL LIABILITIES		383,205	1,640,000	1,323,312	101,792
NET ASSETS / (LIABILITIES)		1,552,826	(45,492)	10,897,260	60,760
EQUITY					
Issued capital	18	3,621,873	72,002	22,264,248	10,914,246
Accumulated losses	20	(2,069,047)	(117,494)	(11,366,988)	(10,853,486)
TOTAL EQUITY / (DEFICIT)		1,552,826	(45,492)	10,897,260	60,760

The above balance sheets should be read in conjunction with the accompanying notes.

BLUE ENSIGN TECHNOLOGIES LIMITED
AND CONTROLLED ENTITIES
STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2006

CONSOLIDATED	Cumulated equity	Accumulated losses	Total attributable to equity holders of the entity
	$	$	$
Balance at 1 January 2005	-	-	-
Shares issued during year	72,002	-	72,002
(Loss) for the year	-	(117,494)	(117,494)
Balance at 31 December 2005	72,002	(117,494)	(45,492)
Notional issue of shares due to reverse acquisition accounting	484,868	-	484,868
Shares issued during year	3,185,009	-	3,185,009
Share issue costs	(120,006)	-	(120,006)
(Loss) for the year	-	(1,951,553)	(1,951,553)
Balance at 31 December 2006	**3,621,873**	**(2,069,047)**	**1,552,826**

Blue Ensign Technologies Limited	Ordinary shares	Retained earnings	Total attributable to equity holders of the entity
	$	$	$
Balance at 1 January 2005	10,739,246	(10,732,619)	6,627
Shares issued during the year	175,000		175,000
(Loss) for the year	-	(120,867)	(120,867)
Balance at 31 December 2005	10,914,246	(10,853,486)	60,760
Issue of shares to acquire ATS	8,300,002	-	8,300,002
Other shares issued during the year	3,050,000		3,050,000
(Loss) for the year	-	(513,502)	(513,502)
Balance at 31 December 2006	**22,264,248**	**(11,366,988)**	**10,897,260**

The above statements of changes in equity should be read in conjunction with the accompanying notes.

BLUE ENSIGN TECHNOLOGIES LIMITED
AND CONTROLLED ENTITIES
CASH FLOW STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2006

	Note	Consolidated		Blue Ensign Technologies Ltd	
		2006	2005	2006	2005
		$	$	$	$
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		-	-	-	-
Payments to suppliers and employees		(1,186,120)	(133,304)	(538,837)	(110,678)
Interest received		15,463	-	3,215	1,639
Other income		411	-	56,216	-
Net cash provided by/(used in) operating activities	30 (c)	(1,170,246)	(133,304)	(479,406)	(109,039)
CASH FLOWS FROM INVESTING ACTIVITIES					
Payments for other property, plant and equipment		(10,182)	-	(10,182)	-
Payments for acquisition of ATS licence		-	(928,000)		
Proceeds from sale of property, plant and equipment		-	-	-	1,313
Payments for exploration expenditure		-	(650,000)	-	-
Payments for exploration security deposits		(10,000)	-	-	-
Proceeds from sale of investments		12,000	-	12,000	77,598
Overdraft acquired from Blue Ensign Technologies		(4,620)	-	-	-
Loans from/(to) subsidiaries		-	-	651,726	(31,657)
Net cash provided by/(used in) investing activities		(12,802)	(1,578,000)	653,544	47,254
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from borrowings		-	1,640,000	-	-
Proceeds of share issues		3,185,009	72,002	-	175,000
Share issue costs		(120,006)	-	-	-
Repayment of borrowings		(1,640,000)	-	(71,084)	-
Net cash provided by/(used in) financing activities		1,425,003	1,712,002	(71,084)	175,000
NET INCREASE IN CASH AND CASH EQUIVALENTS		241,955	698	103,054	113,215
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR		698	-	88,621	(24,594)
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	30 (a)	242,653	698	191,675	88,621

The above cash flow statements should be read in conjunction with the accompanying notes.

1. SUMMARY OF ACCOUNTING POLICIES

Statement of compliance
The financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, Accounting Standards and Urgent Issues Group Interpretations, and complies with other requirements of the law. Accounting Standards include Australian equivalents to International Financial Reporting Standards ('A-IFRS'). Compliance with the A-IFRS ensures that the consolidated financial statements and notes of the consolidated entity comply with International Financial Reporting Standards ('IFRS'). The parent entity financial statements and notes also comply with IFRS except for the disclosure requirements in IAS 32 'Financial Instruments: Disclosure and Presentation' as the Australian equivalent Accounting Standard, AASB 132 'Financial Instruments: Disclosure and Presentation' does not require such disclosures to be presented by the parent entity where its separate financial statements are presented together with the consolidated financial statements of the consolidated entity.

The financial statements were authorised for issue by the directors on 28 April 2007.

Basis of preparation
The financial report has been prepared on the basis of historical cost and, except where stated, does not take into account changing money values or current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgements. Actual results may differ from these estimates.

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

Judgements made by management in the application of Australian Accounting Standards that have significant effect on the financial report and estimates with a significant risk of material adjustment in the next year are disclosed, where applicable, in the relevant notes to the financial statements.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

Going Concern
The Company and controlled entities generated a net loss of $1,951,553 and negative cash flows from operations of $1,170,246 in the year ended 31 December 2006 as the Group continues to work towards the development and commercialisation of its Julia Creek oil shale tenements.

As of balance date, the Company and controlled entities had net assets of $1,552,826, cash balances of $242,653 and was in a net current liabilities position. However $150,000 of current liabilities is not payable until 20 September 2007 at the earliest.

The continuing viability of the Group and its ability to continue as a going concern and meet its debts as they fall due in future years are dependent upon:

(i) the Group being successful in negotiating and obtaining additional funding; and
(ii) the successful construction and operation of the proposed demonstration scale pilot plant which will demonstrate the effectiveness of the Rendall Process in continuous operations. Funding the pilot plant is intended to be raised by a $60 million public offering of shares in the Company's wholly owned subsidiary, Queensland Shale Oil Limited.
(iii) success in development and commercialisation of its Julia Creek oil shale tenements.

The Directors believe that the Group will be successful in the above matters and, accordingly, have prepared the financial report on a going concern basis. The Directors regularly monitor the Group's cash position and on an on-going basis consider a number of strategic and operational plans and initiatives to ensure that adequate funding continues to be available for the Group to meet its business objectives.

Significant Accounting Policies
Accounting policies are selected and applied in a manner which ensures that the resultant financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions and other events is reported.

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

(a) Accounts Payable
Trade payables and other accounts payable are recognised when the consolidated entity becomes obliged to make future payments resulting from the purchase of goods and services.

(b) Acquisition of Assets
Assets acquired are recorded at the cost of acquisition, being the purchase consideration determined as at the date of acquisition plus costs incidental to the acquisition.

In the event that settlement of all or part of the cash consideration given in the acquisition of an asset is deferred, the fair value of the purchase consideration is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

1. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

(c) Borrowings
Borrowings are recorded initially at fair value, net of transaction costs. Subsequent to initial recognition, borrowings are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in profit and loss over the period of the borrowing using the effective interest rate method.

(d) Borrowing costs
Borrowing costs are capitalised as an asset and amortised over the period of the loan.

(e) Cash and cash equivalents
Cash and cash equivalents comprise cash on hand, cash in banks and investments in money market instruments, net of outstanding bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

(f) Comparative amounts
Australian Thermal Solutions had a 30 June balance date and has changed its balance date to 31 December in line with that of the legal holding company, Blue Ensign Technologies Limited.

Under the reverse acquisition method of accounting for acquisitions the consolidated comparative figures are for those of Australian Thermal Solutions for the year ended 31 December 2005 . The legal parent figures and comparatives are those of Blue Ensign Technologies.

(g) Depreciation
Depreciation is provided on property, plant and equipment.

Depreciation provided on plant and equipment is calculated on a straight line basis so as to write off the net cost or other revalued amount of each asset over its expected useful life. The following estimated useful lives are used in the calculation of depreciation. Amortisation of leasehold improvements is calculated on a straight line basis so as to write off the cost of asset over its expected useful life.

- Computer equipment	2-3 years
- Office equipment	2-5 years

(h) Employee Entitlements
Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made in respect of wages and salaries, annual leave, and long service leave 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.

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

(i) Exploration for and Evaluation of Mineral Resources
For each area of interest, expenditures incurred in the exploration for and evaluation of mineral resources are expensed as incurred unless the rights to tenure of the area of interest are current and either:
(a) the exploration and evaluation expenditures are expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale; or
(b) exploration and evaluation activities in the area of interest have not at the reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.
If either of the above conditions are met, expenditures are partially or fully capitalised, and recognised as an exploration and evaluation asset.

Exploration and evaluation assets are measured at cost at recognition.

Expenditures typically recognised as exploration and evaluation assets include:
(a) acquisition of rights to explore;
(b) topographical, geological, geochemical and geophysical studies;
(c) exploratory drilling;
(d) trenching;
(e) sampling; and
(f) activities in relation to evaluating the technical feasibility and commercial viability of extracting a mineral resource.

Recoverability of the carrying amount of exploration and evaluation assets is dependent on successful development and commercial exploitation or alternative sale of the relevant area of interest.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. When facts and circumstances suggest that the carrying amount exceeds the recoverable amount, an impairment loss is recorded.

1. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

(j) Financial Instruments issued by the company

Debt and Equity Instruments

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

Interest and Dividends

Interest and dividends are classified as expenses or as distributions of profit consistent with the statement of financial position classification of the related debt or equity instruments.

(k) Foreign Currency

Foreign currency transactions

All foreign currency transactions during the financial year are brought to account using the exchange rate in effect at the date of the transaction. Foreign currency monetary items at reporting date are translated at the exchange rate existing at reporting date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined.

Exchange differences are recognised in profit or loss in the period in which they arise except that exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned or likely to occur, which form part of the net investment in a foreign operation, are recognised in the foreign currency translation reserve and recognised in profit or loss on disposal of the net investment.

(l) Functional and Presentation Currency

The functional and presentation currency of Blue Ensign Technologies Limited and its subsidiaries is Australian dollars (A$).

(m) Goods and Services Tax

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

(a) where the 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; or

(b) for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

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

(n) Impairment of Assets

At each reporting date, the company 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). Where the asset does not generate cash flows that are independent from other assets, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Goodwill, 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. An impairment of goodwill is not subsequently reversed. Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

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

1. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

(o) Income Tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

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

Deferred tax is accounted for using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Tax consolidation

The company and all its wholly-owned Australian resident entities have not entered into a tax consolidated group under Australian taxation law.

(p) Intangible Assets

Goodwill

Goodwill represents the excess of the cost of the business combination over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities. Goodwill is not amortised but is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually, or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill acquired is allocated to each of the cash-generating units expected to benefit from the combination's synergies. Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. Impairment losses on goodwill cannot be reversed.

Rendall Process Licence

The Rendall Process licence has a finite useful life of 25 years and is carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated on a straight line basis over the life of the licence starting from the time the licence comes into use.

(q) Investments

Investments in associates are accounted for under the equity method in the consolidated financial statements and the cost method in the company financial statements. Other investments are recorded at the lower of cost or recoverable amount.

(r) Leased Assets

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

1. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

(s) Principles of Consolidation

The consolidated financial statements are prepared by combining the financial statements of all the entities that comprise the group, being the company (the parent entity) and its subsidiaries as defined in Accounting Standard AASB 3 Business Combinations. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

The consolidated financial statements include the information and results of each subsidiary from the date on which the company obtains control and until such time as the company ceases to control such entity.

In preparing the consolidated financial statements, all intercompany balances and transactions, and unrealised profits arising within the group are eliminated in full.

The acquisition of Australian Thermal Solutions Pty Ltd has been treated using the "reverse acquisition method" of accounting for acquisitions because the effective control of Blue Ensign Technologies Limited passed from the former Blue Ensign Technologies shareholders and directors to the Australian Thermal Solutions shareholders and directors.

Accordingly, the consolidated financial statements have been presented as if Australian Thermal Solutions were the parent company which has reduced the effective goodwill on consolidation to $437,167. This amount has been written off under AIFRS impairment policies.

(t) Provisions

Provisions are recognised when the consolidated entity has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is probable that recovery will be received and the amount of the receivable can be measured reliably.

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

(u) Receivables

Trade receivables and other receivables are recorded at amounts due less any provision for doubtful debts.

(v) Recoverable Amount of Non-Current Assets

Non-current assets are written down to recoverable amount where the carrying value of any non-current assets exceeds recoverable amount. Recoverable amount is determined as the undiscounted amount expected to be recovered through the cash inflows and outflows arising from the continued use and subsequent disposal of the non-current assets.

(w) Revenue Recognition

<u>Sale of Goods and Disposal of Assets</u>
Revenue from the sale of goods and disposal of other assets is recognised when the consolidated entity has passed control of the goods or other assets to the buyer.

<u>Rendering of Services</u>
Revenue from a contract to provide services is recognised on completion of the contract.

<u>Interest Income</u>
Interest income is recognised as it is accrued.

<u>Other Income</u>
Other income is recognised as it is earned.

1. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

New accounting standards and UIG interpretations

Certain new accounting standards and UIG interpretations have been published that are not mandatory for 30 June 2006 reporting periods. The Group's assessment of the impact of these new standards and interpretations is set out below.

(i) UIG 5 *Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds*
This interpretation will be implemented in 2006-7 and may affect the Group's financial statements.

(ii) AASB 7 *Financial Instruments: Disclosures and AASB 2005-10 Amendments to Australian Accounting Standards [AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023 & AASB 1038]*
AASB 7 and AASB 2005-10 are applicable to annual reporting periods beginning on or after 1 January 2007. The Group has not adopted the standards early. Application of the standards will not affect any of the amounts recognised in the financial statements, but may impact the type of information disclosed in relation to the Group's financial instruments.

(iii) UIG 6 *Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment*
UIG 6 is applicable to annual reporting periods beginning on or after 1 December 2006. The Group has not sold any electronic or electrical equipment on the European market and has not incurred any associated liabilities. This interpretation will not affect the Group's financial statements.

2. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks; market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

(a) Foreign exchange risk
Given the minimal exposure to foreign currencies, it is the current policy of the consolidated entity not to hedge foreign exchange risk.

(b) Credit risk

There is negligible credit risk on financial assets, excluding investments, of the consolidated entity since there is no exposure to individual customers or countries and the economic entity's exposure is limited to the amount of cash, short term deposits and receivables which have been recognised in the balance sheet and is minimised by using recognised financial intermediaries as counterparties.

(c) Liquidity risk
Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close-out market positions. Due to the dynamic nature of the underlying businesses, the Board aims at maintaining flexibility in funding by keeping committed credit lines available.

(d) Cash flow and fair value interest rate risk
As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are not materially exposed to changes in market interest rates.
The Group has no interest rate risk.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions made do not have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

In particular, the following critical estimates and judgements have been made in respect of the following assets :

(a) Rendall Process Licence
While the directors are of the opinion that the value of the license has not been impaired, the current term of the license is for 25 years and accordingly the value is being amortised over that period.

(b) Investment in ATS by parent company.
The carrying value is based on the cost of acquisition of ATS by BLE which was determined with reference to the investment into ATS by the Colonial Group at the same time as ATS was acquired. In assessing the possible impairment of the investment the directors have taken into account the recent share placements by BLE at 30 cents per share which values the group at approximately $35 million. As the assets of the group comprise only cash, the ATS licence and exploration expenditure which are held by ATS the directors do not believe that the investment is being carried in excess of its value.

These critical estimates and judgements have also been made in the light of the going concern issues noted in Note 1, namely:

(i) the Group being successful in negotiating and obtaining additional funding; and
(ii) the successful construction and operation of the proposed demonstration scale pilot plant which will demonstrate the effectiveness of the Rendall Process in continuous operations. Funding the pilot plant is intended to be raised by a $60 million public offering of shares in the Company's wholly owned subsidiary, Queensland Shale Oil Limited.
(iii) success in development and commercialisation of its Julia Creek oil shale tenements.

	Consolidated 2006 $	Consolidated 2005 $	Blue Ensign Technologies Ltd 2006 $	Blue Ensign Technologies Ltd 2005 $
4. REVENUE				
Revenue				
Sales revenue	-	-	-	-
	-	-	-	-
Other income				
Interest - other entities	15,463	-	3,215	1,639
Gain on sale noncurrent assets	-	-	-	1,313
Gain on sale of investments	-	-	-	25,380
Gain on sale of investments in controlled entities	-	-	32,218	-
Foreign exchange gain	13,917	-	-	-
Other Income	411	-	56,216	-
	29,791	-	91,649	28,332

5. (LOSS) / PROFIT FROM ORDINARY ACTIVITIES

(Loss)/profit from ordinary activities before income tax includes the following items of expense:

Expenses				
Depreciation of Property, plant and equipment	1,007	-	1,007	2,854
Anortisation of ATS licence	18,560			
Foreign exchange loss	-	-	3,104	-
Impairment of Goodwill	437,167	-	-	-
Transfers to (from) provisions:				
- Doubtful debts - associated company	-	-	-	(97,300)
- Impairment of investment in subsidiary	-	-	-	132,218
- Employee entitlements	5,620	-	3,513	-

6. INCOME TAX

(a) Income tax expense

The prima facie income tax expense on pre-tax accounting loss reconciles to the income tax expense in the financial statements as follows:

Profit / (Loss) for year	(1,951,553)	(117,494)	(513,502)	(120,867)
Income tax expense (benefit) calculated at 30%	(585,466)	(35,248)	(154,051)	(36,260)
Temporary differences and tax losses not recognised (refer note 6(c))	454,316	35,248	154,051	36,075
Other permanent differences				
- Non deductible expenses				
- Impairmernt of goodwill	131,150	-	-	-
- Entertainment	-	-	-	185
Income tax expense / (benefit) attributable to (loss) profit	-	-	-	-

(b) Adjusted franking account balance	-	-	-	-

(c) Deferred tax balances not recognised

Calculated at 30% not brought to account as assets:

Deferred tax assets not recognised comprise:				
Tax losses - revenue	1,967,908	35,248	1,590,115	1,526,342
Tax losses - capital	4,404,768	-	4,404,768	-
Temporary differences	7,254	-	1,054	7,380
	6,379,930	35,248	5,995,937	1,533,722

The taxation benefits of revenue and capital tax losses and temporary differences not brought to account will only be obtained if:

(i) the company and the consolidated entity derive further assessable income of a nature and of an amount sufficient to enable the benefit from the deductions to be realised;

(ii) the company and the consolidated entity continue to comply with the conditions for deductibility imposed by the law; and

(iii) no changes in tax legislation adversely affect the company's and the consolidated entity's ability in realising the benefit from the deductions.

6. INCOME TAX (CONTINUED)

(d) Tax consolidation

Relevance of tax consolidation to the consolidated entity

Legislation to allow groups comprising a parent entity and its Australian resident wholly-owned entities, to elect to consolidate and be treated as a single entity for income tax purposes ('the tax consolidation system') was substantively enacted on 21 October 2002. The company, its wholly-owned Australian resident entities and its sister entities within Australia are eligible to consolidate for tax purposes under this legislation and the directors of these entities consider it likely that they will elect to implement the tax consolidation system in due course.

At the date of this report, the directors have not made a final formal decision to implement the tax consolidation system and, if so, from what date the implementation would occur. As a result, only the financial effects of the mandatory aspects of the enabling legislation have been recognised in the financial statements and no adjustment has been made to recognise the financial effects that may result from the implementation of the tax consolidation system.

7. LOSS PER SHARE

	2006	2005
Basic and diluted loss per share (cents per share)	(1.90)	(0.14)
Weighted average number of ordinary shares outstanding during the year used in calculation of basic and diluted loss per share.	102,637,451	85,863,478

The options outlined on note 19 are not considered to be potential ordinary shares at balance date and are therefore not dilutive.

	Consolidated		Blue Ensign Technologies Ltd	
	2006	2005	2006	2005
8. AUDITORS' REMUNERATION	$	$	$	$
Remuneration of BDO for :				
Audit and review of the financial report	58,724	-	58,724	52,944
Total auditors remuneration	58,724	-	58,724	52,944
9. CASH AND CASH EQUIVALENTS				
Cash at bank and on hand	242,653	698	159,457	88,621
10. CURRENT TRADE AND OTHER RECEIVABLES				
GST receivable	15,792	10,975	12,938	5,819
Other receivables	98,971	4,835	88,000	-
	114,763	15,810	100,938	5,819
11. NON-CURRENT TRADE AND OTHER RECEIVABLES				
Security deposits	10,000	-	-	-
Amount due from wholly owned controlled entity	-	-	1,000	330
	10,000	-	1,000	330
12. OTHER NON-CURRENT FINANCIAL ASSETS				
Unlisted investments, at cost :				
Controlled entities (refer Note 22(a))	-	-	11,950,002	200,000
Less provision for diminution	-	-	-	(132,218)
	-	-	11,950,002	67,782

13. PROPERTY, PLANT AND EQUIPMENT

	Consolidated		Blue Ensign Technologies Ltd	
	Plant & Equipment	Total	Plant & Equipment	Total
Gross Carrying Amount	$	$	$	$
Balance at 31 December 2004	-	-	188,564	188,564
Additions	-	-	-	-
Disposals	-	-	(172,034)	(172,034)
Balance at 31 December 2005	-	-	16,530	16,530
Additions	10,182	10,182	10,182	10,182
Acquisition of controlled entities	-	-	-	-
Disposals	-	-	-	-
Balance at 31 December 2006	10,182	10,182	26,712	26,712
Accumulated Depreciation				
Balance at 31 December 2004	-	-	185,421	185,421
Depreciation Expense	-	-	2,854	2,854
Disposals	-	-	(171,745)	(171,745)
Balance at 31 December 2005	-	-	16,530	16,530
Depreciation Expense	1,007	1,007	1,007	1,007
Disposals	-	-	-	-
Balance at 31 December 2006	1,007	1,007	17,537	17,537
Net Book Value				
Balance at 31 December 2005	-	-	-	-
Balance at 31 December 2006	9,175	9,175	9,175	9,175

	Consolidated		Blue Ensign Technologies Ltd	
	2006	2005	2006	2005
Aggregate depreciation allocated during the year:	$	$	$	$
- Plant and equipment	1,007	-	1,007	2,854
	1,007	-	1,007	2,854

14. EXPLORATION EXPENDITURE

	Consolidated		Blue Ensign Technologies Ltd	
	2006	2005	2006	2005
	$	$	$	$
Exploration expenditure	650,000	650,000	-	-

This expenditure is the acquisition of 100% of the tenement EPM 12863 at Julia Creek, Queensland.

Movement				
2005				
Balance at 31 December 2004	-	-	-	
Additions	650,000	-	-	
Amounts written off	-	-	-	
Balance at 31 December 2005	650,000	-	-	
2006				
Balance at 31 December 2005	650,000	-	-	
Additions	-	-	-	
Written off	-	-		
	650,000	-	-	

15. INTANGIBLE ASSETS

	Consolidated 2006 $	Consolidated 2005 $	Blue Ensign Technologies Ltd 2006 $	Blue Ensign Technologies Ltd 2005 $
ATS Licence	928,000	928,000	-	-
Less amortisation	(18,560)	-	-	-
Net	909,440	928,000	-	-
Goodwill on consolidation	-	-	-	-
	909,440	928,000	-	-

Movement	Consolidated ATS Licence $	Consolidated Goodwill $	Blue Ensign Technologies Ltd ATS Licence $	Blue Ensign Technologies Ltd Goodwill $
2005				
Balance at 31 December 2004	-	-	-	-
Additions	928,000	-	-	-
Amortisation	-	-	-	-
Balance at 31 December 2005	928,000	-	-	-
2006				
Balance at 31 December 2005	928,000	-	-	-
Additions	-	-	-	-
Acquisition of ATS	-	437,167	-	-
Impairment charge	-	(437,167)	-	-
Amortisation	(18,560)	-	-	-
	909,440	-	-	-

	Consolidated 2006 $	Consolidated 2005 $	Blue Ensign Technologies Ltd 2006 $	Blue Ensign Technologies Ltd 2005 $
16. CURRENT TRADE AND OTHER PAYABLES				
Unsecured:				
Trade payables	17,473	-	-	-
Other payables and accruals	350,220	-	142,408	26,400
GST creditors	9,892	-	9,891	4,308
Annual leave entitlements	5,620	-	3,513	-
	383,205	-	155,812	30,708
17. NON-CURRENT TRADE AND OTHER PAYABLES				
Unsecured, interest free				
Amounts due to controlled entities	-	-	1,167,500	-
Shareholder loans	-	1,640,000	-	71,084
	-	1,640,000	1,167,500	71,084
18. SHARE CAPITAL				
117,594,529 fully paid ordinary shares - no par value (2005: 4,427,842)	3,741,879	72,002	22,338,701	10,988,699
Less share issue costs	(120,006)	-	(74,453)	(74,453)
	3,621,873	72,002	22,264,248	10,914,246

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

Movement in ordinary share capital of Blue Ensign Technologies Ltd	2006 Number of shares	2006 $	2005 Number of shares	2005 $
Balance at beginning of year	4,427,842	10,914,246	2,677,842	10,739,246
Blue Ensign Technologies Limited shares issued during year				
Acquisition of ATS	83,000,020	8,300,002		
Othrer issues of shares	30,000,000	3,000,000		
Share placement	166,667	50,000	1,750,000	175,000
	117,594,529	22,264,248	4,427,842	10,914,246
Transaction costs relating to share issues	-	-	-	-
Balance at end of year	117,594,529	22,264,248	4,427,842	10,914,246

19. OPTIONS

Expiry Date	Exercise Price	Number on issue 31 December 2005	Granted during year	Lapsed during year	Exercised during year	Number on issue 31 December 2006
Unlisted						
30.06.2006	0.80	500,000	-	(500,000)	-	-
31.12.2008	0.20	1,000,000	-	-	-	1,000,000
30.04.2011	0.50	-	83,000,020	-	-	83,000,020
Total options on issue		1,500,000	83,000,020	(500,000)	-	84,000,020

20. ACCUMULATED LOSSES

	Consolidated 2006 $	Consolidated 2005 $	Blue Ensign Technologies Ltd 2006 $	Blue Ensign Technologies Ltd 2005 $
Balance at beginning of financial year	(117,494)	-	(10,853,486)	(10,732,619)
Disposal of Controlled Entity	-	-	-	-
Net losses for year	(1,951,553)	(117,494)	(513,502)	(120,867)
Balance at end of financial year	(2,069,047)	(117,494)	(11,366,988)	(10,853,486)

21. COMMITMENTS FOR EXPENDITURE

(a) Capital Expenditure Commitments

There are no capital commitments at the end of the financial year

(b) Lease Commitments

Operating leases relate to office facilities. The consolidated entity does not have an option to purchase the leased asset at the expiry of the lease period.

	Consolidated 2006 $	Consolidated 2005 $	Blue Ensign Technologies Ltd 2006 $	Blue Ensign Technologies Ltd 2005 $
Operating leases				
Not later than one year	2,791	16,746	-	-
Later than 1 year but not later than 5 years	-	2,791	-	-
	2,791	19,537	-	-

(c) Tenement Expenditure

	Consolidated 2006 $	Consolidated 2005 $	Blue Ensign Technologies Ltd 2006 $	Blue Ensign Technologies Ltd 2005 $
Not later than one year	153,254	103,384	-	-
Later than 1 year but not later than 5 years	250,000	403,254	-	-
	403,254	506,638	-	-

22. PARTICULARS RELATING TO CONTROLLED ENTITIES

(a) Name of Entity Controlled entities	Country of Incorporation	Ownership Interest 2006 %	Ownership Interest 2005 %
Australian Thermal Solutions Pty Ltd	Australia	100	-
Queensland Shale Oil Limited	Australia	100	-

22. PARTICULARS RELATING TO CONTROLLED ENTITIES (CONTINUED)

(b) Information relating to acquisition of subsidiaries

	Consolidated 2006 $	2005 $
Consideration		
Shares deemed to be issued under reverse acquisition accounting method	484,868	-
Less net assets acquired	(47,701)	
Goodwill on consolidation	437,167	-

Under the reverse acquisition method of accounting for the acquisition the cost of the business combination is based upon the fair value of the equity instruments deemed to have been issued by the legal subsidiary, ATS.

Deemed cost of acquisition

The deemed cost of acquisition is based on the fair value of shares deemed to have been issued by ATS. This is calculated by determining the percentage of shares held by existing BLE shareholders at the time of acquisition and applying that percentage to the aggregated net assets of the combined group. The deemed acquisition cost is the BLE percentage of group net assets less the adjusted net assets of BLE.

	2006	2005
Aggregated net assets 30.6.06		
BLE	11,347,703	-
ATS	2,776,224	-
	14,123,927	-

Deemed acquisition cost

Ordinary Shares	Number	$	%	
BLE	4,427,842	10,988,699	3.7707%	
Shares issued to :				
Acquisition ATS	83,000,020	8,300,002	70.6817%	
Other	30,000,000	3,000,000	25.5476%	
Closing Balance	117,427,862	22,288,701	100.0000%	
Aggregated net assets x BLE % shareholding (3.7707%)				532,569
BLE net assets			11,347,703	
Less shares issued re acquisition			(11,300,002)	
BLE net assets prior to acquisition			47,701	47,701
Deemed acquisition cost				484,868

The carrying amounts of assets and liabilities acquired of by major class are:

Bank Overdraft	(4,620)
Investment in subsidiaries	100,000
Receivables	11,952
Property, plant and equipment	-
Accounts payable	(59,631)
Net assets of entities acquired	47,701
Outflow of cash on acquisition of subsidiaries	
Cash balance acquired	(4,620)
Net outflow of cash on acquisition of subsidiaries	(4,620)
Loss since acquisition of acquired business (deemed to be that of BLE)	(414,415)

Contingent liabilities acquired

No contingent liabilities were acquired under the reverse acquisition method.

23. KEY MANAGEMENT COMPENSATION

(a) The directors of Blue Ensign Technologies Limited during the year were:
Christopher Ryan
Frank Ciotti (Appointed 29.6.06)
John Blumer (Appointed 29.6.06)
Alex Koszo (Resigned 29.6.06)
John Porter (Resigned 29.6.06)

(b) Other key management personnel
All key management personnel of the consolidated entity are directors of Blue Ensign Technologies Limited.

(c) Remuneration of Directors and Executives
The company has taken advantage of the relief provided by ASIC Class Order 06/50 and has transferred the detailed remuneration disclosures to the directors' report.

(d) Equity instrument disclosures relating to directors
Aggregate numbers of shares and options of Blue Ensign Technologies Limited acquired or disposed of by directors of the company or their director-related entities from the company

	2006	2005
Acquisitions		
Ordinary Shares	22,300,020	-
Options	22,300,020	-
Disposals		
Ordinary Shares	-	-
Options (lapsed)	250,000	-

Aggregate number of shares and options of Blue Ensign Technologies Limited held directly, indirectly or beneficially by directors of the company or their director related entities at balance date :

	2006	2005
Ordinary shares	22,675,020	375,000
Options	22,300,020	250,000

Number of Shares and Options held by specified directors and executives

Shares	Number held 31 December 2005	Acquired during year	Sold during year	Issued on exercise of options	Number held 31 December 2006
Christopher Ryan	375,000	2,000,000	-	-	2,375,000
Frank Ciotti	-	17,500,020	-	-	17,500,020
John Blumer	-	2,800,000	-	-	2,800,000
	375,000	22,300,020	-	-	22,675,020

Options	Number held 31 December 2005	Acquired during year	Lapsed during year	Exercised during year	Number held 31 December 2006
Christopher Ryan	250,000	2,000,000	(250,000)	-	2,000,000
Frank Ciotti	-	17,500,020	-	-	17,500,020
John Blumer	-	2,800,000	-	-	2,800,000
	250,000	22,300,020	(250,000)	-	22,300,020

(e) Transactions with associates of directors

	2006 $	2005 $
CONSULTING FEES A controlled entity, Australian Thermal Solutions Pty Ltd, paid consulting fees to Robsearch Australia Pty Ltd, a company associated with Mr John Blumer, for consulting services provided by senior management of that company. The fees were determined on a commercial basis.	63,860	-
OFFICE OVERHEADS A controlled entity, Australian Thermal Solutions Pty Ltd, paid fees to Robsearch Australia Pty Ltd, a company associated with Mr John Blumer, as a contribution towards office overheads. The fees were determined on a commercial basis.	30,000	-

	2006 $	2005 $
24. CONTINGENT LIABILITIES		
(a) Success fees Blue Ensign Technologies Limited has entered into agreements with the directors and certain employees and consultants to pay a monthly retainer of which a portion is deferred and its payment is contingent upon the completion of the proposed IPO of Queensland Shale Oil Limited.	311,839	-

(b) Rehabilitation commitments
It is a condition of the granting of the exploration licence that the company rehabilitate the site before the licence expires. The directors are unable to quantify the expected cost or timing of the required rehabilitation.

25. SEGMENT INFORMATION

The economic entity operates in one segment only being mineral exploration and development in Australia.

26. FINANCIAL INSTRUMENTS

(a) Significant Accounting Policies
Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which revenues and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 1 to the financial statements.

(b) Interest Rate Risk
The consolidated entity is exposed to interest rate risk through primary financial assets and liabilities.

The company has not entered into interest rate hedging transactions.

The company has no other exposure to interest rate risk.

The company's exposure to interest rate risk and the effective weighted average interest rate for classes of financial assets and financial liabilities is set out below :-

2006	NOTE	WEIGHTED AVERAGE INTEREST RATES	FLOATING INTEREST RATES	FIXED MATURING IN 1 YEAR OR LESS	NON-INTEREST BEARING	TOTAL
Financial Assets						
Cash	10	4.63%	242,653	-	-	242,653
Receivables	11	0.00%	-	-	114,763	114,763
Total Assets			**242,653**	**-**	**114,763**	**357,416**
Financial Liabilities						
Payables	16	0.00%	-	-	383,205	383,205
Shareholder loans	17	0.00%	-	-	-	-
Total Liabilities			**-**	**-**	**383,205**	**383,205**
Net financial assets			**242,653**	**-**	**(268,442)**	**(25,789)**

2005	NOTE	WEIGHTED AVERAGE INTEREST RATES	FLOATING INTEREST RATES	FIXED MATURING IN 1 YEAR OR LESS	NON-INTEREST BEARING	TOTAL
Financial Assets						
Cash	10	4.63%	698	-	-	698
Receivables	11	0.00%	-	-	15,810	15,810
Total Assets			**698**	**-**	**15,810**	**16,508**
Financial Liabilities						
Payables	16	0.00%	-	-	-	-
Shareholder loans	17	0.00%	-	-	1,640,000	1,640,000
Total Liabilities			**-**	**-**	**1,640,000**	**1,640,000**
Net financial assets (liabilities)			**698**	**-**	**(1,624,190)**	**(1,623,492)**

26. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has adopted the policy of only dealing with creditworthy counterparts and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from defaults. The consolidated entity measures credit risk on a fair value basis.

The consolidated entity does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

(d) Net Fair Value

The carrying of financial assets and financial liabilities recorded in the financial statements represents their respective net fair values, determined in accordance with the accounting policies disclosed in note 1 to the financial statements.

27. RELATED PARTY DISCLOSURES

(a) Directors

The directors of Blue Ensign Technologies Limited during the year were :

Christopher Ryan

Appointed 29.6.06
Frank Ciotti
John Blumer

Resigned 29.6.06
Alex Koszo
John Porter

(b) Remuneration of directors and key management personnel

Details of remuneration of directors are disclosed in note 23 to the financial statements.
At 31 December 2006 there were no other key management personnel.

(c) Transactions with directors and director related entities concerning shares and share options

Details of Transactions with directors and director related entities concerning shares and share options are disclosed in note 23 to the financial statements.

(d) Equity interests in related parties

Equity interests in controlled entities
Details of the percentage of ordinary shares held in controlled entities are disclosed in note 22 to the financial statements.

28. SUBSEQUENT EVENTS

There were no events subsequent to balance date which require disclosure in these accounts.

29. ADDITIONAL COMPANY INFORMATION

Blue Ensign Technologies Limited is a listed public company, incorporated and operating in Australia.

The number of employees at the end of the financial year was Nil (2005 : Nil)

Principal Registered Office and Principal Place of Business
Suite 202, Angela House
30 - 36 Bay Street
DOUBLE BAY
NSW 2028

30. NOTES TO CASH FLOW STATEMENTS

(a) Reconciliation of cash

For the purposes of the statement of cash flows, cash includes cash on hand and in banks and investments in money market instruments,

	Consolidated		Blue Ensign Technologies Ltd	
	2006	2005	2006	2005
	$	$	$	$
Cash	242,653	698	159,457	88,621
	242,653	698	159,457	88,621

(b) Businesses acquired

During the year, ATS was acquired. Details of the acquisition are as follows:

	Consolidated	
	2006	2005
	$	$
Consideration		
Deemed share issue	484,868	-
Fair value of net assets acquired		
Assets	111,952	
Cash	(4,620)	-
Liabilities	(59,631)	
Provisions	-	-
Net Assets acquired	47,701	-
Goodwill on acquisition (refer note 15)	437,167	-
	484,868	-
Net cash inflow on acquisition		
Cash balances acquired	(4,620)	-
Less cash consideration	-	-
	(4,620)	-

(c) Reconciliation of operating profit after income tax to net cash flows from operating activities

	Consolidated		Blue Ensign Technologies Ltd	
	2006	2005	2006	2005
	$	$	$	$
Operating (loss) profit after income tax	(1,951,553)	(117,494)	(513,502)	(120,867)
Non cash items included in profit and loss				
Depreciation	1,007	-	1,007	2,854
Impairment of goodwill	437,167	-	-	-
Amortiation ATS licence	18,560			
Foreign exchange loss/(gain)	-	-	3,104	-
Annual leave expense	5,620	-	3,513	-
Provision against loan to controlled entity	-	-	-	(97,300)
Provision for diminution in value of investment in controlled entity	-	-	-	132,218
Net gain on sale of plant and equipment	-	-	-	(1,313)
Net loss/(gain) on sale of investments	-	-	-	(25,380)
Changes in assets and liabilities				
(Increase) decrease in other receivables	(110,905)	(15,810)	(95,119)	3,330
Increase/(decrease) in trade creditors	77,104	-	-	(2,581)
Increase in other creditors and accruals	352,754	-	121,591	-
Net cash (used in) / provided by operating activities	(1,170,246)	(133,304)	(479,406)	(109,039)

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