BLUE ENSIGN TECHNOLOGIES LIMITED
AND CONTROLLED ENTITIES

A.C.N. 086 332 836

FINANCIAL REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

The directors of Blue Ensign Technologies Limited submit herewith the annual financial report for the financial year ended 31 December 2009. 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:

John Blumer (Non-Executive Chairman)

John is an experienced independent petroleum consultant, with 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 the company, 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 ASX and ASIC with respect to mineral valuation issues, and is past-President of the Earth Resources Foundation of the University of Sydney.

Darryl Smith (Executive Managing Director) (appointed 29 September 2009)

Darryl Smith has a PhD in Chemical Engineering and is an experienced CEO with an impressive record of plant design, construction and commissioning; innovative use of technology; organisation restructuring and profit centre management within major companies, including Shell, Esso, Origin Energy and Normandy Mining. He has nearly 40 years' experience in executive management, operations management and plant design in refining, chemical engineering and metals processing. He is also very experienced in innovative developments in plant technology and in designing, constructing and operating pilot and demonstration plants and in developing and commissioning major process plants.

Frank Ciotti (Non-Executive Director)

Frank Ciotti is a Certified Public Accountant with approximately 43 years of financial and management experience. Frank graduated Magna Cum Laude with a Business Degree from the University of California at Los Angeles. Frank is currently retired focused on managing his own financial investments.

Colin M Thomas (Non-Executive Director) (appointed 13 May 2009)

Colin is a senior geological consultant who has nearly 50 years of experience in a diversity of assignments in Australia and in many locations in Asia Pacific and Africa. Colin is a Director and Senior Geologist with RobSearch Australia, with whom he has worked since 1970. He has extensive experience in resource audits and valuations.

Cole Nelson (Non-Executive Director) (appointed 29 September 2009)

Cole has more than 30 years of experience in the hydrocarbon processing industry, including research and development, pre- commissioning and commissioning, manufacturing operations, design engineering and project management, and economics and plant and product optimisation. He was employed by UOP for more than 25 years, rising from Process Development Engineer to Commercial Manager, and worked in more than 20 countries on five continents.

Christopher Ryan Executive Chairman (resigned 13 May 2009)

Grahame Clegg (Company Secretary)

Mr Clegg was appointed to the position of Company Secretary on 2 July 2007 and has over 36 years experience in audit, financial and corporate roles including 15 years in Company secretarial roles for ASX-listed companies. He is a director of Oakhill Hamilton Pty Ltd, and Taen Pty Ltd, companies which provide secretarial, accounting and corporate advisory services to a range of listed and unlisted companies.

Principal Activities

For the year under review, the principal activity of the consolidated entity and parent entity was 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.

Review of Operations

During the year the Group continued to develop its Rendall Process for extraxting oil from shale oil deposits and continued to seek adequate funding to continue its 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	
	2009	2008	2009	2008
	$	$	$	$
Net loss after income tax	(703,382)	(858,063)	(530,124)	(857,340)

Changes in State of Affairs

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

Post Balance Date Events

On 4 June 2010 the company was delisted from ASX at its own request.

On 16 November 2010 the company's rights to the Julia Creek tenements were renewed

There were no other 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 and parent entity in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the consolidated entity and parent 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 2009.

Share Options

During the financial year no share options were granted to employees, consultants and directors. Since the end of the financial year no further options have been issued.

15,617,500 options to take up ordinary shares in Blue Ensign Technologies Ltd remain unexercised at 31 December 2009.

70,650,020 options were forfeited during the year.

1,000,000 options lapsed during the year.

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.

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 by such an officer or auditor.

Auditors' Independence Declaration

The auditors' declaration of independence is attached to this directors report on page 4.

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, two audit committee meetings were held.

	Board of Directors		Audit Committee	
	Held	**Attended**	**Held**	**Attended**
F Ciotti	7	7	2	2
J Blumer	7	7	2	2
C M Thomas (appointed 13 May 2009)	4	4	1	1
C Nelson (appointed 29 September 2009)	-	-	-	-
D Smith (appointed 29 September 2009)	-	-	-	-
C Ryan (resigned 13 May 2009)	4	4	1	1

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

J BLUMER
Director

Sydney, 20 December 2010

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Auditor's Independence Declaration to the Directors of Blue Ensign Technologies Limited

In relation to our audit of the financial report of Blue Ensign Technologies Limited for the financial year ended 31 December 2009, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Gary Daniels
Partner
20 December 2010

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Independent auditor's report to the member of Blue Ensign Technologies Limited

Report on the financial report

We have audited the accompanying financial report of Blue Ensign Technologies Limited, which comprises the consolidated statement of financial position as at 31 December 2009, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

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

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

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

Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report. We confirm that the Auditor's Independence Declaration would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

a. the financial report of Blue Ensign Technologies Limited is in accordance with the *Corporations Act 2001*, including:

   i giving a true and fair view of the consolidated entity's financial positions as at 31 December 2009 and of its performance for the year ended on that date; and

   ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Material Uncertainty Regarding Continuation as a Going Concern

Without qualifying our opinion, we draw attention to the following matter. As a result of matters disclosed in Note 1 Going Concern, there is significant uncertainty as to whether the Company and the consolidated entity will be able to continue as going concerns, and therefore whether they will realise their assets and extinguish their liabilities in the normal course of business and at the amounts stated in the financial report. The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the Company or the consolidated entity not continue as going concerns.

Opinion

In our opinion, the Remuneration Report of Blue Ensign Technologies Limited for the year ended 31 December 2009, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Gary Daniels
Partner
Sydney
20 December 2010

BLUE ENSIGN TECHNOLOGIES LIMITED
AND CONTROLLED ENTITIES
DIRECTORS' DECLARATION

In accordance with a resolution of directors, I state that in the opinion of the directors:

(a) The financial statements, notes and the additional disclosures included in the directors' report designated as audited, of the company and of the consolidated entity are in accordance with the Corporations Act 2001, including

(ii) Giving a true and fair view of the company's and the consolidated entity's financial position as at 31 December 2009 and of their performance for the year ended on that date .

(i) Complying with Accounting Standards and the Corporations Regulations 2001; and

(b) There are reasonable grounds to believe, having regard to the matters set out in Note 1, that the company will be able to pay its debts as and when they become due and payable.

On behalf of the Board of Directors

J BLUMER
Director

Sydney, 20 December 2010

BLUE ENSIGN TECHNOLOGIES LIMITED
AND CONTROLLED ENTITIES
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

	Note	Consolidated		Blue Ensign Technologies Ltd	
		2009	2008	2009	2008
		$	$	$	$
Revenue and other income	4	118,523	13,929	123,825	119,992
Administration expenses		(84,152)	(191,248)	(73,579)	(137,140)
Borrowing costs	5	(133,315)	(73,345)	(90,464)	(45,602)
Corporate costs		(33,584)	(65,044)	(33,159)	(45,872)
Depreciation and amortisation expense	5	(42,949)	(41,616)	(2,633)	(4,496)
Diminution of investments in and loans to subsidiaries	5	-	-	(189,116)	(397,518)
Employee benefits expense and directors remuneration	5	(447,916)	(177,010)	(238,431)	(192,617)
Exploration expenses		(24,749)	(20,721)	-	-
Marketing expenses		(233)	-	(233)	-
Technology development costs		(203,633)	(300,476)	(1,587)	(67,104)
Travel expenses		(10,563)	(79,213)	(10,260)	(76,829)
Other expenses		(14,023)	(39,760)	(14,487)	(10,096)
Loss before income tax (expense)/benefit		(876,594)	(974,504)	(530,124)	(857,282)
Income tax (expense)/benefit	6	173,212	116,441	-	(58)
Net loss after related income tax (expense)/benefit	21	(703,382)	(858,063)	(530,124)	(857,340)
Other comprehensive income					
Foreign currency translation gains/(losses)		**208**	313	**-**	-
Other comprehensive income before income tax expense		**208**	313	**-**	-
Income tax expense		**-**	-	**-**	-
Other comprehensive income for period		**208**	**313**	**-**	**-**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**(703,174)**	(857,750)	**(530,124)**	(857,340)
Total comprehensive income attributable to members of Blue Ensign Technologies Ltd		**(703,174)**	(857,750)	**(530,124)**	(857,340)

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

BLUE ENSIGN TECHNOLOGIES LIMITED
AND CONTROLLED ENTITIES
STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2009

	Note	Consolidated		Blue Ensign Technologies Ltd	
		2009	2008	2009	2008
		$	$	$	$
CURRENT ASSETS					
Cash and cash equivalents	8	21,859	87,794	13,943	41,672
Trade and other receivables	9	56,852	32,369	6,829	1,423
TOTAL CURRENT ASSETS		78,711	120,163	20,772	43,095
NON-CURRENT ASSETS					
Trade and other receivables	10	50,000	30,000	-	-
Other financial assets	11	-	-	1,480,615	1,524,757
Property, plant and equipment	12	7,173	9,806	7,173	9,806
Exploration expenditure	13	650,000	650,000	-	-
Intangible assets	14	817,722	858,038	-	-
TOTAL NON-CURRENT ASSETS		1,524,895	1,547,844	1,487,788	1,534,563
TOTAL ASSETS		1,603,606	1,668,007	1,508,560	1,577,658
CURRENT LIABILITIES					
Trade and other payables	15	810,252	585,341	1,019,880	950,216
Interest bearing liabilities	16	1,235,842	852,247	1,038,195	675,644
TOTAL CURRENT LIABILITIES		2,046,094	1,437,588	2,058,075	1,625,860
NON-CURRENT LIABILITIES					
Provisions	17	3,358	2,453	741	1,292
TOTAL NON-CURRENT LIABILITIES		3,358	2,453	741	1,292
TOTAL LIABILITIES		2,049,452	1,440,041	2,058,816	1,627,152
NET ASSETS		(445,846)	227,966	(550,256)	(49,494)
EQUITY					
Issued capital	18	5,732,788	5,732,788	24,375,157	24,375,157
Reserves	20	186,568	156,998	186,047	156,685
Accumulated losses	21	(6,365,201)	(5,661,819)	(25,111,460)	(24,581,336)
TOTAL EQUITY		(445,845)	227,967	(550,256)	(49,494)

The above statements of financial position 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 2009

CONSOLIDATED	Equity	Reserves	Accumulated losses	Total attributable to equity holders of
	$	$	$	$
Balance at 1 January 2008	5,294,884	418,753	(4,803,756)	909,881
Shares issued during year	427,000	-	-	427,000
Amounts added to option expense reserve	-	(262,068)	-	(262,068)
Other comprehensive income	-	313	-	313
Share issue costs	10,904	-	-	10,904
(Loss) for the year	-	-	(858,063)	(858,063)
Balance at 31 December 2008	5,732,788	156,998	(5,661,819)	227,967
Shares issued during year	-	-	-	-
Share issue costs	-	-	-	-
Amounts added to option expense reserve	-	29,362	-	29,362
Other comprehensive income	-	208	-	208
(Loss) for the year	-	-	(703,382)	(703,382)
Balance at 31 December 2009	**5,732,788**	**186,568**	**(6,365,201)**	**(445,845)**

Blue Ensign Technologies Limited	Equity	Reserves	Accumulated losses	Total attributable to equity holders of
	$	$	$	$
Balance at 1 January 2008	23,937,253	151,305	(23,723,996)	364,562
Shares issued during year	427,000	-	-	427,000
Share issue costs	10,904	-		10,904
Amounts added to option expense reserve	-	5,380	-	5,380
(Loss) for the year	-	-	(857,340)	(857,340)
Balance at 31 December 2008	24,375,157	156,685	(24,581,336)	(49,494)
Amounts added to option expense reserve	-	29,362	-	29,362
Other comprehensive income	-	-	-	-
(Loss) for the year	-	-	(530,124)	(530,124)
Balance at 31 December 2009	**24,375,157**	**186,047**	**(25,111,460)**	**(550,256)**

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

BLUE ENSIGN TECHNOLOGIES LIMITED
AND CONTROLLED ENTITIES
STATEMENTS OF CASH FLOW
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

	Note	Consolidated		Blue Ensign Technologies Ltd	
		2009	2008	2009	2008
		$	$	$	$
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		-	-	-	-
Payments to suppliers and employees		(618,310)	(995,215)	(355,125)	(583,755)
R&D tax offset rebate received		173,212	116,499	-	-
Interest received		3,805	12,655	2,013	11,473
Other income		-	126	-	126
Net cash used in operating activities	32 (b)	(441,293)	(865,935)	(353,112)	(572,156)
CASH FLOWS FROM INVESTING ACTIVITIES					
Payments for other property, plant and equipment		-	(569)	-	(569)
Proceeds from sale of property, plant and equipment		-	1,148	-	1,148
Proceeds from sale of investments		-	36,000	-	36,000
Payments for security deposits		(20,000)	(20,000)	-	-
Loans (to)/from subsidiaries		-	-	(41,981)	(290,273)
Net cash provided by/(used in) investing activities		(20,000)	16,579	(41,981)	(253,694)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from borrowings		383,595	445,865	362,551	403,321
Proceeds of share issues		-	427,000	-	427,000
Amounts received pursuant to prospectus repaid		-	(236,000)	-	(236,000)
Share issue costs		-	-	-	-
Net cash provided by/(used in) financing activities		383,595	636,865	362,551	594,321
NET (DECEREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(77,698)	(212,491)	(32,542)	(231,529)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR		87,794	288,522	41,672	268,388
Effect of exchange rates on cash holdings in foreign currencies		11,763	11,763	4,813	4,813
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	32 (a)	21,859	87,794	13,943	41,672

The above statements of cash flows should be read in conjunction with the accompanying notes. -

1. SUMMARY OF ACCOUNTING POLICIES

Corporate information

Blue Ensign Technologies Limited (the parent) is a company limited by shares incorporated in Australia.

The nature of the operations and principal activities of the Group are described in the directors' report.

Statement of compliance
The financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001.

The financial report complies with Australian Accounting Standards and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

Basis of preparation

The financial report has been prepared on the basis of historical cost .

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 financial report has been prepared on a going concern basis.

The Company and controlled entities generated a net loss of $703,382 (2008 - $858,064) and negative cash flows from operations of $441,293 (2008 - $865,935) in the year ended 31 December 2009 as the Group continues to work towards the development of the Rendall Process and development and commercialisation of its Julia Creek oil shale tenements.

As of balance date, the Company and it's controlled entities had net liabilities of $445,846 (2008 - net assets of $227,966), cash balances of $21,859 (2008 - $87,794) and was in a net current liabilities position. 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.

The Company's ability to continue as a going concern and undertake activities towards the development of the Rendall Process and development and commercialization of its Julia Creek oil shale tenements will require the Company to obtain new funding through debt or equity, the sale of assets or the licensing of the Rendall Process to other parties.

The Directors believe that the Group will be successful in negotiating and obtaining additional funding and have committed to supporting the Group until such time as the refinacing of the Group is attained. Having regard to the above factors, at the date of this financial report the directors conclude that the Company is a going concern and able to pay its debts as they fall due and realise their assets in the ordinary course of business. The financial report does not include any adjustments relating to the recoverability or classification of recorded asset amounts, or the amounts or classification of liabilities, which might be necessary should the Company not be able to continue as a going concern.

Adoption of New and Revised Accounting Standards

During the current year the Group adopted all of the new and revised Australian Accounting Standards and Interpretations applicable to its operations which became mandatory.

The adoption of these standards has impacted the recognition, measurement and disclosure of certain transactions. The following is an explanation of the impact the adoption of these standards and interpretations has had on the financial statements of Blue Ensign Technologies Ltd

AASB 8: Operating Segments

In February 2007 the Australian Accounting Standards Board issued AASB 8 which replaced AASB 114: Segment Reporting. As a result, some of the required operating segment disclosures have changed with the addition of a possible impact on the impairment testing of goodwill allocated to the cash generating units (CGUs) of the entity. Below is an overview of the key changes and the impact on the Group's financial statements.

Measurement impact

Identification and measurement of segments — AASB 8 requires the 'management approach' to the identification measurement and disclosure of operating segments. The 'management approach' requires that operating segments be identified on the basis of internal reports that are regularly reviewed by the entity's chief operating decision maker, for the purpose of allocating resources and assessing performance. This could also include the identification of operating segments which sell primarily or exclusively to other internal operating segments. Under AASB 114, segments were identified by business and geographical areas, and only segments deriving revenue from external sources were considered.

The adoption of the 'management approach' to segment reporting has resulted in the identification of reportable segments consistent with the prior year.

Under AASB 8, operating segments are determined based on management reports using the 'management approach', whereas under AASB 114 financial results of such segments were recognised and measured in accordance with Australian Accounting Standards. This has not resulted in any changes to the presentation of segment results.

1. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

Adoption of New and Revised Accounting Standards (continued)

AASB 8: Operating Segments (continued)

Impairment testing of the segment's goodwill

AASB 136: Impairment of Assets, paragraph 80 requires that goodwill acquired in a business combination shall be allocated to each of the acquirer's CGUs, or group of CGUs that are expected to benefit from the synergies of the combination. Each cash generating unit (CGU) which the goodwill is allocated to must represent the lowest level within the entity at which goodwill is monitored, however it cannot be larger than an operating segment. Therefore, due to the changes in the identification of segments, there is a risk that goodwill previously allocated to a CGU which was part of a larger segment could now be allocated across multiple segments if a segment had to be split as a result of changes to AASB 8.

Management have considered the requirements of AASB 136 and determined the implementation of AASB 8 has not impacted the CGUs of each operating segment.

Disclosure impact

AASB 8 requires a number of additional quantitative and qualitative disclosures, not previously required under AASB 114, where such information is utilised by the chief operating decision maker. This information is now disclosed as part of the financial statements.

AASB 101: Presentation of Financial Statements

In September 2007 the Australian Accounting Standards Board revised AASB 101 and as a result, there have been changes to the presentation and disclosure of certain information within the financial statements. Below is an overview of the key changes and the impact on the Group's financial statements.

Disclosure impact

Terminology changes — the revised version of AASB 101 contains a number of terminology changes, including the amendment of the names of the primary financial statements.

Reporting changes in equity — the revised AASB 101 requires all changes in equity arising from transactions with owners, in their capacity as owners, to be presented separately from non-owner changes in equity. Owner changes in equity are to be presented in the statement of changes in equity, with non-owner changes in equity presented in the statement of comprehensive income. The previous version of AASB 101 required that owner changes in equity and other comprehensive income be presented in the statement of changes in equity.

Statement of comprehensive income — the revised AASB 101 requires all income and expenses to be presented in either one statement, the statement of comprehensive income, or two statements, a separate income statement and a statement of comprehensive income. The previous version of AASB 101 required only the presentation of a single income statement.

The Group's financial statements now contain a statement of comprehensive income.

Other comprehensive income — The revised version of AASB 101 introduces the concept of 'other comprehensive income' which comprises of income and expenses that are not recognised in profit or loss as required by other Australian Accounting Standards. Items of other comprehensive income are to be disclosed in the statement of comprehensive income. Entities are required to disclose the income tax relating to each component of other comprehensive income. The previous version of AASB 101 did not contain an equivalent concept.

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 and parent 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.

(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 directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their use or sale.

All other borrowing costs are recognised in income in the period in which they are incurred.

1. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

Significant Accounting Policies (continued)

(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. Cash on hand, cash in banks and investments in money market instruments are shown as current assets in the balance sheet.Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

(f) Comparative amounts

Where necessary, comparative amounts have been changed to reflect changes in disclosures in the current year.

(g) Depreciation

Depreciation is provided on property, plant and equipment.

Depreciation provided on computer and office equipment is calculated on a straight line basis, and on small equipment on a diminishing value 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.

- Computer equipment	2-3 years
- Office equipment	6-8 years
- Small equipment < $1000	4-5 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 and parent entity in respect of services provided by employees up to the reporting date.

The liability for long service leave is recognised and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service.

(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.

(j) *Financial assets*

The Group's financial assets fall into the categories discussed below, with the allocation depending to an extent on the purpose for which the asset was acquired. The Group does not use derivative financial instruments in economic hedges of currency or interest rate risk. The Group has not classified any of its financial assets as held to maturity.

1. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

Significant Accounting Policies (continued)

(j) *Financial assets (continued)*

Trade and other receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally though the sale of assets and GST receivable. They are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition or issue and subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Group will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the income statement. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Available for sale

Non-derivative financial assets not included in the above categories are classified as available for sale. They are carried at fair value with changes in fair value recognised directly in the available for sale reserve. Where there is a significant or prolonged decline in the fair value of an available for sale financial asset (which constitutes objective evidence of impairment), the full amount of the impairment, including any amount previously charged to equity, is recognised in the income statement. Purchases and sales of available for sale financial assets are recognised on settlement date with any change in fair value between trade date and settlement date being recognised in the available for sale reserve. On sale, the amount held in the available for sale reserve associated with that asset is removed from equity and recognised in the income statement.

(k) 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.

(l) *Financial liabilities*

The Group classifies its financial liabilities as measured at amortised cost. The Group does not use derivative financial instruments in economic hedges of currency or interest rate risk.

These financial liabilities include the following items:

Trade payables and other short-term monetary liabilities, which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest rate method.

Borrowings from shareholders are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. These borrowings are non interest bearing liabilities which are subsequently measured at amortised cost using the effective interest rate method.

(m) 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.

(n) Functional and Presentation Currency

The functional and presentation currency of Blue Ensign Technologies Limited and its Australian subsidiaries is the Australian dollar (A$). The United States subsidiary's functional currency is the United States dollar (US$) which is translated to the presentation currency upon consolidation.

1. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

Significant Accounting Policies (continued)

(o) Goods and Services Tax

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

(i) 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
(ii) 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.

(p) 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.

(q) 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.

(r) 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 Intellectual Property
The Rendall Process is an innovative and patent protected approach to the production of high quality synthetic crude oil from oil shale.

The Rendall Process intellectual property is carried at cost to the extent that it is expected that the asset may realise benefits to the company in the future. While the intellectual property has an indefinite useful life and is not normally subject to amortisation the directors have determined that an amortisation based on a straight line basis over the estimated life of the intellectual property is to be adopted as a conservative approach to recording its value in the consolidated balance sheet. The directors have used 25 years as the estimated useful life.

1. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

Significant Accounting Policies (continued)

(s) 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.

(t) 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 127 Consolidated and Separate Financial Statements. 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 reduced the effective goodwill on consolidation to $437,167. This amount has been written off under AIFRS impairment policies.

Subsidiaries are accounted for at cost in the separate financial statements of Blue Ensign Technologies Ltd less any impairment charges.

(u) Provisions

Provisions are recognised when the consolidated entity and parent 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.

(v) Receivables

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

(w) 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.

(x) Revenue Recognition

<u>Sale of Goods and Disposal of Assets</u>
Revenue from the sale of goods and disposal of assets is recognised when the consolidated entity and parent entity has passed the risks and rewards of the goods or 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 using the effective interest rate method.

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

(y) Share capital

Financial instruments issued by the Group are treated as equity only to the extent that they do not meet the definition of a financial liability. The Group's ordinary shares are classified as equity instruments. The Group is not subject to any externally imposed capital requirements.

1. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

New Accounting Standards for Application in Future Periods

Certain new accounting standards have been published that are not mandatory for 31 December 2009 reporting periods. The Group's assessment of the impact of these new standards and interpretations is set out below.

AASB	Summary	Application date	Impact on group	Application date for
AASB 2008–11: Amendments to Australian Accounting Standard — Business Combinations Among Not-for-Profit Entities [AASB 3], AASB 127: Consolidated and Separate Financial Statements, AASB 2008–3: Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127 [AASBs 1,2,4,5,7,101,107, 112, 114, 116, 121, 128, 131, 132, 133, 134, 136, 137, 138 & 139 and Interpretations 9 & 107]	- acquisition costs incurred in a business combination will no longer be included as part of the cost of the business combination, but will be expensed (unless the cost relates to issuing debt or equity securities); - contingent considerations will be measured at fair value at the acquisition date and may only be provisionally accounted for up to 12 months after the acquisition date. Any subsequent changes in the fair value of contingent considerations does not affect the cost of the business combination or goodwill; - in a step acquisition where control is obtained, previous ownership interests are to be remeasured at their fair value and the resulting gain/loss is recognised in the income statement/equity as applicable; - there shall be no gain or loss from transactions affecting a parent's ownership interest in a subsidiary with all transactions required to be accounted for as equity transactions (this will not represent a change to the Group's policy); - dividends declared out of pre-acquisition profits will no longer be deducted from the cost of an investment but will be recognised as income; - impairment of investments in subsidiaries, joint ventures and associates shall be considered when a dividend is paid by the respective investee; - where there is, in substance, no change to group interests, parent entities inserted above existing groups shall measure the cost of their investments at the carrying amount of their share of the equity items shown in the statement of financial position of the original parent at the date of reorganisation; and - entities now have an accounting policy choice when measuring non-controlling interests. Non-controlling interests can be measured at either the proportionate share of net assets acquired or at the fair value of the non-controlling interest.	01-Jul-09	These amendments are not expected to impact the Group.	01-Jan-10
AASB Interpretation 16: Hedges of a Net Investment in a Foreign Operation	This interpretation proposes that the hedged risk in a hedge of a net investment in a foreign operation is the foreign currency risk arising between the functional currency of the net investment and the functional currency of any parent entity. This also applies to foreign operations in the form of joint ventures, associates or branches.	01-Oct-09	No changes are expected to materially affect the Group.	01-Jan-10
AASB 2009–4: Amendments to Australian Accounting Standards arising from the Annual Improvements Project	These standards detail numerous non-urgent but necessary changes to accounting standards arising from the IASB's annual improvements project.	01-Jan-10	No changes are expected to materially affect the Group.	01-Jan-10
AASB 2009–8: Amendments to Australian Accounting Standards — Group Cash-settled Share-based Payment Transactions [AASB 2]	These amendments clarify the accounting for group cash-settled share-based payment transactions in the separate or individual financial statements of the entity receiving the goods or services when the entity has no obligation to settle the share-based payment transaction. The amendments incorporate the requirements previously included in Interpretation 8 and Interpretation 11 and as a consequence, these two Interpretations are superseded by the amendments.	01-Jan-10	These amendments are not expected to impact the Group.	01-Jan-10

1. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

New Accounting Standards for Application in Future Periods (continued)

AASB	Summary	Application date	Impact on group	Application date for
AASB 2009–9: Amendments to Australian Accounting Standards — Additional Exemptions for First-time Adopters [AASB 1]	These amendments specify requirements for entities using the full cost method in place of the retrospective application of Australian Accounting Standards for oil and gas assets, and exempt entities with existing leasing contracts from reassessing the classification of those contracts in accordance with Interpretation 4 when the application of their previous accounting policies would have given the same outcome.	01-Jan-10	These amendments are not expected to impact the Group.	01-Jan-10
AASB 2009–10: Amendments to Australian Accounting Standards — Classification of Rights Issues [AASB 132]	These amendments clarify that rights, options or warrants to acquire a fixed number of an entity's own equity instruments for a fixed amount in any currency are equity instruments if the entity offers the rights, options or warrants pro-rata to all existing owners of the same class of its own non-derivative equity instruments.	01-Feb-10	These amendments are not expected to impact the Group.	01-Jan-11
AASB 2009–13: Amendments to Australian Accounting Standards arising from Interpretation 19 [AASB 1]	This standard makes amendments to AASB 1 arising from the issue of Interpretation 19. The amendments allow a first-time adopter to apply the transitional provisions in Interpretation 19.	01-Jul-10	This standard is not expected to impact the Group.	01-Jan-11
AASB Interpretation 19: Extinguishing Financial Liabilities with Equity Instruments	This Interpretation deals with how a debtor would account for the extinguishment of a liability through the issue of equity instruments. The Interpretation states that the issue of equity should be treated as the consideration paid to extinguish the liability, and the equity instruments issued should be recognised at their fair value unless fair value cannot be measured reliably in which case they shall be measured at the fair value of the liability extinguished. The Interpretation deals with situations where either partial or full settlement of the liability has occurred.	01-Jul-10	This Interpretation is not expected to impact the Group.	01-Jan-11
AASB 124: Related Party Disclosures	This standard removes the requirement for government related entities to disclose details of all transactions with the government and other government related entities and clarifies the definition of a related party to remove inconsistencies and simplify the structure of the standard.	01-Jan-11	No changes are expected to materially affect the Group.	01-Jan-11
AASB 2009–12: Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052	This standard makes a number of editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of International Financial Reporting Standards by the IASB. The standard also amends AASB 8 to require entities to exercise judgment in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures.	01-Jan-11	These amendments are not expected to impact the Group.	01-Jan-11
AASB 2009–14: Amendments to Australian Interpretation — Prepayments of a Minimum Funding Requirement [AASB Interpretation 14]	This standard amends Interpretation 14 to address unintended consequences that can arise from the previous accounting requirements when an entity prepays future contributions into a defined benefit pension plan.	01-Jan-11	This standard is not expected to impact the Group.	01-Jan-11

1. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)
New Accounting Standards for Application in Future Periods (continued)

AASB	Summary	Application date	Impact on group	Application date for
AASB 9: Financial Instruments and AASB 2009–11: Amendments to Australian Accounting Standards arising from AASB 9	The changes made to accounting requirements include: - simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value; - simplifying the requirements for embedded derivatives; - removing the tainting rules associated with held-to-maturity assets; - removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost; - allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument; and - reclassifying financial assets where there is a change in an entity's business model as they are initially classified based on: (a) the objective of the entity's business model for managing the financial assets; and (b) the characteristics of the contractual cash flows.	01-Jan-13	Implementation may be required	01-Jan-13

No other new or proposed accounting standards or interpretations are expected to have a material impact on the Group.

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

Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. The Group is exposed to foreign exchange risk predominantly arising from currency exposures to the US dollar on its loans and payables denominated in USD. Currency protection measures may be deemed appropriate in specific commercial circumstances and are subject to strict limits laid down by the Board. The Group has not entered into any foreign currency hedging contracts during the year.

(b) Credit risk

Credit risk arises from the potential failure of counterparties to meet their obligations under the respective contracts at maturity. There is negligible credit risk on financial assets of the Group since there is limited exposure to individual customers 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. The parent entity has exposure to credit risk in the amounts receivable from subsidiaries but this is limited as thse amounts have been fully provided for.

(c) 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 as its loans are at fixed rates.

(d) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding to enable the company to operate as a going concern. The Board monitors liquidity on a monthly basis and management monitors liquidity on a daily basis.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements and estimates on historical experience and on other various factors it believes to be reasonable under the circumstances, the result of which forms the basis of the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions.

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

The following critical estimates and judgements have been made in respect of the following items :

(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 less an allowance for impairment which reduces the carrying value to reflect the net assets of ATS. The directors do not believe that the investment is being carried in excess of its value.

(c) *Impairment of non-financial assets other than goodwill*
The Group assesses impairment of all assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. These include product and manufacturing performance, technology, economic and political environments and future product expectations. If an impairment trigger exists the recoverable amount of the asset is determined. Given the current uncertain economic environment management considered that the indicators of impairment were significant enough and as such these assets have been tested for impairment in this financial period.

(d) *Recovery of deferred tax assets*
Deferred tax assets are recognised for deductible temporary differences only where management considers that it is probable that future taxable profits will be available to utilise those temporary differences.

(e) *Impairment of goodwill and intangibles with indefinite useful lives*
The Group determines whether goodwill and intangibles with indefinite useful lives are impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash-generating units, using a value in use discounted cash flow methodology, to which the goodwill and intangibles with indefinite useful lives are allocated. Amortisation of $40,316 was recognised in the current year in respect of the Rendall Process Intellectual Property.

(f) *Share-based payment transactions*
The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using the Black & Scholes model, with the assumptions detailed in note 26. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact expenses and equity.

	Consolidated		Blue Ensign Technologies Ltd	
	2009	2008	2009	2008
4. REVENUE	$	$	$	$
Revenue				
Sales revenue	-	-	-	-
	-	-	-	-
Other income				
Interest - other entities	3,805	12,655	2,013	11,473
Management fees charged to controlled entities	-	-	66,642	107,245
Gain on sale of non current assets	-	1,148	-	1,148
Foreign exchange gains	114,718	-	55,170	-
Other income	-	126	-	126
	118,523	13,929	123,825	119,992

5. LOSS FROM ORDINARY ACTIVITIES

Loss from ordinary activities before income tax includes the following items of expense:

Expenses

Depreciation and amortisation expense				
Amortisation of intangible assets	40,316	37,120	-	-
Depreciation of Property, plant and equipment	2,633	4,496	2,633	4,496
Total depreciation and amortisation expense	42,949	41,616	2,633	4,496
Diminution of investments in and loans to subsidiaries				
Diminution of investments in subsidiaries	-	-	44,142	-
Diminution of loans to subsidiaries	-	-	144,974	397,518
Total diminution of investments in and loans to subsidiaries	-	-	189,116	397,518
Employment expenses and directors remuneration				
Base salary and directors fees	405,943	612,782	208,000	188,489
Superannuation	17,364	15,957	7,545	8,757
Share based expense (Note 26(a))	29,362	(262,068)	29,362	5,380
Other employment costs	443	-	443	-
Transfers to provisions:				
- Employee entitlements	(5,196)	16,064	(6,919)	5,519
	447,916	382,735	238,431	208,145
Less amounts charged to technology development costs	-	(205,725)	-	(15,528)
Total employment expense	447,916	177,010	238,431	192,617
Other expenses				
Foreign exchange loss	-	61,609	467	31,945
Interest expense	133,315	73,345	90,464	45,602

6. INCOME TAX

	Consolidated		Blue Ensign Technologies Ltd	
	2009	2008	2009	2008
(a) Income tax expense	$	$	$	$
The prima facie income tax benefit on pre-tax accounting loss reconciles to the income tax benefit in the financial statements as follows:				
Loss for year	**(876,594)**	(974,504)	**(530,124)**	(857,282)
Income tax benefit calculated at 30%	**(262,978)**	(292,351)	**(159,037)**	(257,185)
Temporary differences and tax losses not recognised (refer note 6(c))	**262,850**	289,832	**158,909**	254,666
Other permanent differences				
- Non deductible expenses				
- Entertainment	**128**	2,461	**128**	2,461
R&D tax offset rebate received	**173,212**	116,499	**-**	-
Income tax benefit attributable to loss	**173,212**	116,441	**-**	(58)
(b) Income tax expense on other comprehensive income				
The prima facie income tax benefit on pre-tax other comprehensive income reconciles to the income tax benefit in the financial statements as follows:				
Other comprehensive income for year	**208**	313	**-**	-
Income tax benefit calculated at 30%	**62**	94	**-**	-
Temporary differences and tax losses not recognised (refer note 6(c))	**(62)**	(94)	**-**	-
Income tax benefit attributable to other comprehensive income	**-**	-	**-**	-
(c) Adjusted franking account balance	**-**	-	**-**	-

(d) Deferred tax balances not recognised

Calculated at 30% not brought to account as assets:

	Balance Sheet		Income Statement	
Consolidated	2009	2008	2009	2008
	$	$	$	$
Deferred tax assets relating to tax losses				
Revenue tax losses available for offset against future tax icome	**2,800,136**	2,606,585	**193,551**	-
Capital tax losses available for offset against future tax icome	**4,543,963**	4,543,963	**-**	-
Net deferred tax asset not recognised in respect of tax losses	**7,344,099**	7,150,548	**193,551**	-
Deferred tax assets relating to temporary differences				
Provision for amortisation of intangibles	**39,935**	27,840	**12,095**	11,136
Provision for employee entitlement	**8,467**	10,026	**(1,559)**	3,521
Accruals	**7,500**	9,900	**(2,400)**	7,500
	55,902	47,766	**8,136**	22,157
Deferred tax liabilities relating to temporary differences				
Difference between book and tax values of fixed assets	**(116)**	(128)	**12**	-
	(116)	(128)	**12**	-
Net deferred tax asset not recognised in respect of temporary differences	**55,786**	47,638		
Blue Ensign Technologies Ltd				
Deferred tax assets relating to tax losses				
Revenue tax losses available for offset against future tax icome	**2,110,063**	2,023,031	**87,032**	-
Capital tax losses available for offset against future tax icome	**4,543,963**	4,543,963	**-**	-
Net deferred tax asset not recognised in respect of tax losses	**6,654,026**	6,566,994	**87,032**	-
Deferred tax assets relating to temporary differences				
Provision for diminution of investment in and loans to subsidiaries	**3,483,853**	3,457,118	**26,735**	119,255
Provision for employee entitlement	**3,565**	3,565	**-**	1,656
Accruals	**7,500**	9,900	**(2,400)**	2,400
	3,494,918	3,470,583	**24,335**	123,311
Deferred tax liabilities relating to temporary differences				
Difference between book and tax values of fixed assets	**(116)**	(128)	**12**	(128)
	(116)	(128)	**12**	(128)
Net deferred tax asset not recognised in respect of temporary differences	**3,494,802**	3,470,455		

6. INCOME TAX (CONTINUED)

(e) 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 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. AUDITORS' REMUNERATION

	Consolidated		Blue Ensign Technologies Ltd	
	2009	2008	2009	2008
	$	$	$	$
Remuneration of Ernst & Young for :				
Audit and review of the financial report	51,542	57,205	51,542	57,205
Review of tax return	-	15,900	-	-
Total auditors remuneration	51,542	73,105	51,542	57,205
Remuneration of BDO for :				
Audit and review of the financial report	-	18,000	-	18,000
Review of tax return	-	22,195	-	22,195
Total auditors remuneration	-	40,195	-	40,195
Total auditors remuneration	51,542	113,300	51,542	97,400

8. CASH AND CASH EQUIVALENTS

Cash at bank and on hand	21,859	87,794	13,943	41,672

The carrying amounts of the Group's cash are a reasonable approximation of their fair values.

9. CURRENT TRADE AND OTHER RECEIVABLES

GST receivable	14,584	9,026	6,829	1,423
Other receivables	-	6,181	-	-
Amounts due from wholly owned controlled entities	-	-	1,137,351	1,092,378
Less provision for doubtful debts	-	-	(1,137,351)	(1,092,378)
Prepayments	42,268	17,162	-	-
	56,852	32,369	6,829	1,423

The carrying amounts of the Group's current trade and other receivables are a reasonable approximation of their fair values.

10. NON-CURRENT TRADE AND OTHER RECEIVABLES

Security deposits	50,000	30,000	-	-
	50,000	30,000	-	-

The carrying amounts of the Group's security deposits are a reasonable approximation of their fair values.

11. OTHER NON-CURRENT FINANCIAL ASSETS

Unlisted investments, at cost :				
Controlled entities (refer Note 22))	-	-	11,956,108	11,956,108
Less provision for diminution	-	-	(10,475,493)	(10,431,351)
	-	-	1,480,615	1,524,757

The carrying amounts of the Group's other non-current financial assets are a reasonable approximation of their fair values.

12. PROPERTY, PLANT AND EQUIPMENT

	Consolidated		Blue Ensign Technologies Ltd	
	2009	2008	2009	2008
	$	$	$	$
Plant & Equipment	34,737	34,737	34,737	34,737
Less accumulated depreciation	(27,564)	(24,931)	(27,564)	(24,931)
Net Plant & Equipment	7,173	9,806	7,173	9,806

	Consolidated		Blue Ensign Technologies Ltd	
	Plant & Equipment	Total	Plant & Equipment	Total
Gross Carrying Amount	$	$	$	$
Balance at 31 December 2007	34,168	34,168	34,168	34,168
Additions	569	569	569	569
Balance at 31 December 2008	34,737	34,737	34,737	34,737
Additions	-	-	-	-
Balance at 31 December 2009	34,737	34,737	34,737	34,737
Accumulated Depreciation				
Balance at 31 December 2007	20,435	20,435	20,435	20,435
Depreciation Expense	4,496	4,496	4,496	4,496
Balance at 31 December 2008	24,931	24,931	24,931	24,931
Depreciation Expense	2,633	2,633	2,633	2,633
Balance at 31 December 2009	27,564	27,564	27,564	27,564
Net Book Value				
Balance at 31 December 2008	9,806	9,806	9,806	9,806
Balance at 31 December 2009	7,173	7,173	7,173	7,173

	Consolidated		Blue Ensign Technologies Ltd	
	2009	2008	2009	2008
Aggregate depreciation allocated during the year:	$	$	$	$
- Plant and equipment	2,633	4,496	2,633	4,496
	2,633	4,496	2,633	4,496

13. EXPLORATION EXPENDITURE

Exploration expenditure	650,000	650,000	-	-

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

Movement				
Balance at 1 January 2009	650,000	650,000	-	-
Additions	-	153,510	-	-
Amounts written off	-	(153,510)	-	-
Balance at 31 December 2009	650,000	650,000	-	-

14. INTANGIBLE ASSETS

Rendall Process Intellectual Property	950,838	950,838	-	-
Less amortisation	(133,116)	(92,800)	-	-
Net	817,722	858,038	-	-
Goodwill on consolidation	437,167	437,167	-	-
Less amortisation	(437,167)	(437,167)	-	-
Net	-	-	-	-
	817,722	858,038	-	-

	Consolidated		Blue Ensign Technologies Ltd	
Movement in written down value	Rendall Process IP	Goodwill	Rendall Process IP	Goodwill
2008	$	$	$	$
Balance at 31 December 2007	895,158	-	-	-
Amortisation	(37,120)	-	-	-
Balance at 31 December 2008	858,038	-	-	-
2009				
Balance at 31 December 2008	858,038	-	-	-
Amortisation	(40,316)	-	-	-
Balance at 31 December 2009	817,722	-	-	-

15. CURRENT TRADE AND OTHER PAYABLES

	Consolidated		Blue Ensign Technologies Ltd	
	2009	2008	2009	2008
	$	$	$	$
Unsecured:				
Trade payables	4,350	91,437	3,833	73,881
Other payables and accruals *	768,602	457,668	323,270	187,347
GST creditors	12,433	5,268	12,433	5,268
Amounts due to controlled entities	-	-	676,122	673,130
Annual leave entitlements	24,867	30,968	4,222	10,590
	810,252	585,341	1,019,880	950,216

* Accruals include accrued interest on directors fees calculated at 8% per annum.
The carrying amounts of the Group's current trade and other payables are a reasonable approximation of their fair values.

	Consolidated 2009 $	Consolidated 2008 $	Blue Ensign Technologies Ltd 2009 $	Blue Ensign Technologies Ltd 2008 $
16. CURRENT INTEREST BEARING PAYABLES				
Loans from directors (note 26(e))	773,935	510,624	622,802	389,593
Loans from related parties	461,907	341,623	415,393	286,051
	1,235,842	852,247	1,038,195	675,644

The carrying amounts of the Group's current interest bearing payables are a reasonable approximation of their fair values.
All loans are on demand loans and bear interest at a fixed rate of 8% per annum.
The Board has received assurances from directors and other lenders that payment will not be required for the next twelve months or until a capital raising of sufficient funds is made.

17. NON CURRENT PROVISIONS

	Consolidated 2009 $	Consolidated 2008 $	Blue Ensign Technologies Ltd 2009 $	Blue Ensign Technologies Ltd 2008 $
Long service leave	3,358	2,453	741	1,292
Movement				
Balance at beginning of financial year	2,453	-	1,292	-
Amounts provided during the year	905	2,453	(551)	1,292
Balance at end of financial year	3,358	2,453	741	1,292

Nature and timing of provision
The provision for long service leave recognises the liability for long service leave accrued in respect of services provided by employees up to the reporting date.

18. SHARE CAPITAL

	Consolidated 2009 $	Consolidated 2008 $	Blue Ensign Technologies Ltd 2009 $	Blue Ensign Technologies Ltd 2008 $
127,532,628 fully paid ordinary shares (2008: 127,532,628)	5,882,279	5,882,279	24,479,101	24,479,101
Less share issue costs	(149,491)	(149,491)	(103,944)	(103,944)
	5,732,788	5,732,788	24,375,157	24,375,157

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	**2009 Number of shares**	**2009 $**	**2008 Number of shares**	**2008 $**
Balance at beginning of year	127,532,628	24,375,157	123,397,628	23,937,253
Blue Ensign Technologies Limited shares issued during year				
Share placement	-	-	4,135,000	427,000
	127,532,628	24,375,157	127,532,628	24,364,253
Transaction costs relating to share issues		-		10,904
Balance at end of year	127,532,628	24,375,157	127,532,628	24,375,157

For the purposes of these disclosures, the Group considers its capital to comprise its ordinary share capital, and accumulated losses. Neither the option expense reserve nor the foreign currency translation reserve is considered as capital. There have been no changes in what the Group considers to be capital since the previous period.

19. OPTIONS

Expiry Date	**Exercise Price**	**Number on issue 31 December 2008**	**Granted during year**	**Forfeited / lapsed during year**	**Exercised during year**	**Number on issue 31 December 2009**
Unlisted 30.04.2011 (Note (a))	0.50	83,000,020	-	(70,650,020)	-	12,350,000
30.04.2011 (Note (b))	0.50	3,067,500	-	-	-	3,067,500
30.06.2012 (Note (c))	0.30	1,200,000	-	(1,000,000)	-	200,000
Total options on issue		87,267,520	-	(71,650,020)	-	15,617,500

Notes
(a) These options were issued to former shareholders of Australian Thermal Solutions Pty Ltd when that company was acquired by the Group.
(b) These options were issued to investors as a free attaching option to shares acquired pursuant to the share placement.
(c) These options were issued to employees and consultants in prior years and their value has been expensed and transferred to the option expense reserve.

20. RESERVES

	Consolidated 2009 $	Consolidated 2008 $	Blue Ensign Technologies Ltd 2009 $	Blue Ensign Technologies Ltd 2008 $
Options expense reserve	186,047	156,685	186,047	156,685
Foreign currency translation reserve	521	313	-	-
	186,568	156,998	186,047	156,685

Option expense reserve

	Consolidated 2009 $	Consolidated 2008 $	Blue Ensign Technologies Ltd 2009 $	Blue Ensign Technologies Ltd 2008 $
Balance at beginning of financial year	156,685	418,753	156,685	151,305
Value of options expensed during year to :				
Employees and consultant	-	(63,147)	-	-
Directors	29,362	(198,921)	29,362	5,380
Balance at end of financial year	186,047	156,685	186,047	156,685

Nature and purpose of reserve
The option expense reserve records the value of options issued to employees, consultants and Directors, as part of the remuneration for their services.

Foreign currency translation reserve

	Consolidated 2009 $	Consolidated 2008 $	Blue Ensign Technologies Ltd 2009 $	Blue Ensign Technologies Ltd 2008 $
Balance at beginning of financial year	313	-	-	-
Exchange rate fluctuation during year	208	313	-	-
Balance at end of financial year	521	313	-	-

Nature and purpose of reserve
The foreign currency translation reserve records the impact of the movement of the exchange rate as it relates to the company's investment in overseas subsidiaries.

21. ACCUMULATED LOSSES

	Consolidated 2009 $	Consolidated 2008 $	Blue Ensign Technologies Ltd 2009 $	Blue Ensign Technologies Ltd 2008 $
Balance at beginning of financial year	(5,661,819)	(4,803,756)	(24,581,336)	(23,723,996)
Net losses for year	(703,382)	(858,063)	(530,124)	(857,340)
Balance at end of financial year	(6,365,201)	(5,661,819)	(25,111,460)	(24,581,336)

22. PARTICULARS RELATING TO CONTROLLED ENTITIES

Name of Entity	Country of Incorporation	Ownership Interest 2009 %	Ownership Interest 2008 %
Controlled entities			
Australian Thermal Solutions Pty Ltd	Australia	100	100
Queensland Shale Oil Limited	Australia	100	100
RP International Pty Ltd	Australia	100	100
Innovative Technologies Inc	USA	100	100

23. COMMITMENTS FOR EXPENDITURE

(a) Capital Expenditure Commitments
There are no capital commitments at the end of the financial year

(b) Tenement Expenditure

	Consolidated 2009 $	Consolidated 2008 $	Blue Ensign Technologies Ltd 2009 $	Blue Ensign Technologies Ltd 2008 $
Not later than one year	100,000	100,000	-	-
Later than 1 year but not later than 5 years	-	-	-	-
	100,000	100,000	-	-

24. KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) The directors of Blue Ensign Technologies Limited during the year were:
F Ciotti
J Blumer
C M Thomas (appointed 13 May 2009)
C Nelson (appointed 29 September 2009)
D Smith (appointed 29 September 2009)
C Ryan (resigned 13 May 2009)

(b) Other key management personnel

All key management personnel of the consolidated entity are the directors of Blue Ensign Technologies Limited.

24. KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

(c) Remuneration of Directors and Executives

Details of Directors' remuneration for the year ended 31 December 2009

	Short term benefits			Post employment benefits	Equity based benefits		
Paid by Blue Ensign Technologies Limited	**Salary**	**Director's Fees**	**Retainer**	**Superannuation**	**Options**	**Total**	**Performance related**
	$	$	$	$	$	$	%
F Ciotti	-	25,000	-	-	-	25,000	0.00%
J Blumer	-	25,000	48,000	-	-	73,000	0.00%
C M Thomas (appointed 13 May 2009)	-	16,667	-	-	-	16,667	0.00%
C Nelson (appointed 29 September 2009)	-	8,333	-	-	-	8,333	0.00%
D Smith (appointed 29 September 2009)	-	8,333	20,000	-	-	28,333	0.00%
C Ryan (resigned 13 May 2009)	41,667	-	-	3,750	29,362	74,779	0.00%
	41,667	83,333	-	3,750	29,362	226,112	
Paid by Blue Ensign Technologies Limited - Group							
F Ciotti	-	25,000	61,462	-	-	86,462	0.00%
J Blumer	-	25,000	48,000	-	-	73,000	0.00%
C M Thomas (appointed 13 May 2009)	-	16,667	-	-	-	16,667	0.00%
C Nelson (appointed 29 September 2009)	56,340	8,333	-	-	-	64,673	0.00%
D Smith (appointed 29 September 2009)	-	8,333	20,000	-	-	28,333	0.00%
C Ryan (resigned 13 May 2009)	41,667	60,000	-	3,750	29,362	134,779	0.00%
	98,007	143,333	129,462	3,750	29,362	403,914	

Details of Directors' remuneration for the year ended 31 December 2008

Paid by Blue Ensign Technologies Limited							
C Ryan	50,000	-	-	4,500	31,132	85,632	0.00%
F Ciotti	-	25,000	-	-	-	25,000	0.00%
J Blumer	-	25,000	-	-	-	25,000	0.00%
	50,000	50,000	-	4,500	31,132	135,632	
Paid by Blue Ensign Technologies Limited - Group							
C Ryan	50,000	72,000	-	4,500	31,132	157,632	0.00%
F Ciotti	-	82,456	-	-	-	82,456	0.00%
J Blumer	-	25,000	-	-	-	25,000	0.00%
	50,000	179,456	-	4,500	31,132	265,088	

No loans have been made from the company to key management personnel.

(d) Transactions with associates of directors	**2009 $**	**2008 $**
LOANS		
Loans from key management personnel are disclosed in Note 26(e). Amounts received during year.	400,753	510,625
SALARIES AND DIRECTORS FEES ACCRUED		
The Group accrued salaries and directors fees due to key management personnel .	216,924	177,682
INTEREST ACCRUED		
The Group accrued interest on loans from key management personnel are disclosed in Note 26(f) at the rate of 8% per annum).	87,166	53,575

25. SHARE BASED PAYMENTS

(a) Recognised share-based payment expenses

The expense recognised for employee services received during the year is shown in the table below:

	Consolidated		Blue Ensign Technologies Ltd	
	2009 $	**2008 $**	**2009 $**	**2008 $**
Expense arising from equity-settled share-based payment transactions				
BLE Employee Share Option Plan	29,362	5,380	29,362	5,380
QSO Employee Share Option Plan	-	(267,448)	-	-
Total expense arising from share-based payment transactions (note 5)	29,362	(262,068)	29,362	5,380

Options granted under the QSO plan prior to the successful completion of QSO's intended IPO may not be exercised until such time as a QSO IPO is successfully completed. The directors have assigned a 0% (2008 - 0%) probability that this funding option will be pursued as QSO is a proprietary company.

25. SHARE BASED PAYMENTS (CONTINUED)

(b) Details of share-based payment plans

The share-based payment plans are described below. There have been no cancellations or modifications to any of the plans during 2009 and 2008.

BLE Employee Share Option Plan

Under the BLE Employee Share Option Plan, directors, employees and consultants are granted options to acquire shares in the Company. The exercise price is determined by the directors.

The terms of the BLE Employee Share Option Plan provides for the following vesting conditions :

20% vest immediately on grant of options
20% vest on the first anniversary of grant of options
20% vest on the second anniversary of grant of options
20% vest on the third anniversary of grant of options
20% vest on the fourth anniversary of grant of options

The fair value of the options granted under the plan is estimated using the Black & Scholes valuation methodology taking into account the terms and conditions under which the options are granted.
The weighted average remaining contractual life for the share options outstanding as at 31 December 2009 is 2.50 years (2008: 3.50 years).
The weighted average fair value of options granted during the year was nil (2008: $nil).
The range of exercise prices for options outstanding at the end of the year was $0.30 to $0.50.
No options were granted in the current year or in the prior year.
The options issued are on an equity settled basis. There are no cash settlement alternatives.

Summary of options granted under the BLE employee share plan arrangements

The following table illustrates the number (No.) and weighted average exercise prices (WAEP) of, and movements in, share options issued during the year:

	2009 Number	2009 WAEP	2008 Number	2008 WAEP
Outstanding at the beginning of the year	1,250,000	0.30	1,700,000	-
Granted during the year	-	-	-	-
Forfeited during the year	-	-	(450,000)	0.30
Exercised during the year	-	-	-	-
Expired during the year	-	-	-	-
Outstanding at the end of the year	1,250,000	0.30	1,250,000	0.30
Exercisable at the end of the year	750,000		500,000	

The outstanding balance as at 31 December 2009 is represented by 1,250,000 options over ordinary shares with an exercise price of $0.30 each, exercisable upon meeting the above conditions and until 30 June 2012.

QSO Employee Share Option Plan

Under the QSO Employee Share Option Plan, directors, employees and consultants are granted options to acquire shares in the company. The exercise price is determined by the directors.

The terms of the QSO Employee Share Option Plan provides for the following vesting conditions :

20% vest immediately on grant of options
20% vest on the first anniversary of grant of options
20% vest on the second anniversary of grant of options
20% vest on the third anniversary of grant of options
20% vest on the fourth anniversary of grant of options

In addition, all options granted prior to the successful completion of QSO's intended IPO may not be exercised until such time as a QSO IPO is successfully completed. The directors have assigned a 0% probability that this funding option will be pursued as QSO has converted from a public company to a proprietary company.

The fair value of the options granted under the plan is estimated using the Black & Scholes valuation methodology taking into account the terms and conditions under which the options are granted.
The weighted average remaining contractual life for the share options outstanding as at 31 December 2009 is 2.42 years (2008: 3.42 years).
The range of exercise prices for options outstanding at the end of the year was $1.00
The weighted average fair value of options granted during the year was nil (2008: $nil).
No options were granted in the current year or in the prior year.
The options issued are on an equity settled basis. There are no cash settlement alternatives.

Summaries of options granted under the QSO employee share plan arrangements

The following table illustrates the number (No.) and weighted average exercise prices (WAEP) of, and movements in, share options issued during the year:

	2009 Number	2009 WAEP	2008 Number	2008 WAEP
Outstanding at the beginning of the year	3,450,000	1.00	3,850,000	1.00
Granted during the year	-	-	-	-
Forfeited during the year	-	1.00	(400,000)	1.00
Exercised during the year	-	-	-	-
Expired during the year	-	-	-	-
Outstanding at the end of the year	3,450,000	1.00	3,450,000	1.00
Exercisable at the end of the year	2,070,000		1,380,000	

The outstanding balance as at 31 December 2009 is represented by 3,450,000 options over ordinary shares with an exercise price of $1.00 each, exercisable upon meeting the above conditions and until 31 May 2012.

26. RELATED PARTY DISCLOSURES

(a) Directors

The directors of Blue Ensign Technologies Limited during the year were :
F Ciotti
J Blumer
C M Thomas (appointed 13 May 2009)
C Nelson (appointed 29 September 2009)
D Smith (appointed 29 September 2009)
C Ryan (resigned 13 May 2009)

(b) Remuneration of directors and key management personnel

Details of remuneration of directors are disclosed in note 25 to the financial statements.

At 31 December 2009 there were no key management personnel other than directors.

(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 23 to the financial statements.

	Consolidated	
	2009	**2008**
	$	$
(e) Loans from directors		
During the year loans were made to the company by its directors. The amounts outstanding, which include accumulated accrued interest, at 31 December are:		
Christopher Ryan	**176,803**	163,253
Frank Ciotti	**245,272**	157,530
John Blumer	**237,694**	163,124
Colin M Thomas	**202,617**	-
Robsearch Pty Ltd	**48,992**	26,718
(f) Interest on loans from directors		
During the year interest was accrued on loans were made to the company by its directors :		
Christopher Ryan	**13,551**	12,305
Frank Ciotti	**8,006**	11,667
John Blumer	**14,569**	12,188
Colin M Thomas	**10,861**	-
Robsearch Pty Ltd	**2,218**	1,718
(g) Accrued directors fees included in other payables and accruals (Note 16).		
During the year directors fees and salaries were accrued in respect of directors :		
Christopher Ryan	**101,667**	70,226
Frank Ciotti	**56,924**	82,456
John Blumer	**25,000**	25,000
Colin M Thomas	**16,667**	-
Cole Nelson	**8,333**	-
Darryl Smith	**8,333**	-
(h) Interest on accrued directors fees and salaries included in other payables and accruals (Note 16).		
During the year interest was accrued on loans were made to the company by its directors :		
Christopher Ryan	**20,908**	8,513
Frank Ciotti	**12,644**	5,464
John Blumer	**3,847**	1,720
Colin M Thomas	**394**	-
Cole Nelson	**84**	-
Darryl Smith	**84**	-

27. FINANCIAL INSTRUMENTS DISCLOSURES

(a) ***Capital Management***

The Group considers its capital to comprise its ordinary share capital and accumulated losses.

The Groups ordinary shares are classified as equity instruments. The Group is not subject to any externally imposed capital requirements.

In managing its capital, the Group's primary objective is to ensure its continued ability to maintain its operations and provide a platform to enable a return for its equity shareholders to be made when successful commercial operations are achieved. In order to achieve this objective, the Group seeks to maximise its fund raising to provide sufficient funding to enable the Group to meet its working capital and strategic investment needs. In making decisions to adjust its capital structure to achieve these aims, either through new share issues, or reduction of debt, the Group considers not only its short-term position but also its long-term operational and strategic objectives.

(b) ***Financial instrument risk exposure and management***

In common with all other businesses, the Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them.

Further quantative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

27. FINANCIAL INSTRUMENTS DISCLOSURES (CONTINUED)

(c) *Principal financial instruments*

The principal financial instruments used by the Group, from which financial instrument risks arise, are as follows:
- cash at bank;
- security deposits;
- trade and other receivables;
- trade and other payables; and
- loans

(d) *General objectives, policies and processes*

The Board has overall responsibility for the determination of the Group's risk management objectives and policies and has the responsibility for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's finance function. The Board receives monthly reports through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The overall objective of the board is to set policies that seek to reduce risk as far as possinle without unduly affecting the Group's competitiveness and flexibility. Further details regarding these policies are set out below:

(i) Credit risk

Credit risk arises principally from the Group's trade receivables. It is the risk that the counterparty fails to discharge its obligation in respect of the instrument.

Other receivables

Other receivables comprise the receivable in respect of the sale of the unified messaging business and GST receivable.

The maximum exposure to credit risk at balance date is as follows :	Consolidated		Blue Ensign Technologies Ltd	
	2009	2008	2009	2008
	$	$	$	$
Security Deposits	50,000	30,000	-	-
Other receivables	-	6,181	-	-
Amounts due from wholly owned controlled entities	-	-	1,137,351	1,092,378
	50,000	36,181	1,137,351	1,092,378

(ii) Liquidity risk

Liquidity risk arises from the Group's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due.

The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. To achieve this aim, it seeks to maintain cash balances (or agreed facilities) to meet expected to meet expected requirements for a period of at least 45 days.

The Board receives cash flow projections in a monthly basis as well as information regarding cash balances. At the balance sheet date, these projections indicated that the Group expected to have sufficient liquid resources to meet its obligations under all reasonably expected circumstances. The Board noted the intention of directors and other lenders not to require payment for the next twelve months or until a capital raising of sufficient funds is made.

The Group does not have any financing facilities in place and does not have a bank overdraft.

Maturity analysis of financial assets and liability based on contractual obligations.

The risk implied from the values shown in the table below, reflects a balanced view of cash inflows and outflows. Trade payables and other financial liabilities mainly originate from the financing of assets used in our ongoing operations such as property, plant, equipment and investments in working capital (e.g., trade receivables). These assets are considered in the Group's overall liquidity risk.

	Carrying Amount $	Contractual Cash flows $	< 6 mths $	6- 12 mths $	On demand * $	1-3 years $	> 3 years $
Maturity Analysis - Consolidated - 2009							
Financial Assets							
Cash at bank and on hand	21,859	21,859	21,859	-	-	-	-
Security deposits	50,000	50,000	-	-	-	50,000	-
TOTAL	71,859	71,859	21,859	-	-	50,000	-
Financial Liabilities							
Trade Creditors	4,350	4,350	4,350	-	-	-	-
Other payables and accruals	805,902	805,902	-	80,225	725,677	-	-
Loans	1,235,842	1,235,842	-	-	1,235,842	-	-
TOTAL	2,046,094	2,046,094	4,350	80,225	1,961,519	-	-
NET MATURITY	(1,974,235)	(1,974,235)	17,509	(80,225)	(1,961,519)	50,000	-

* The Board has received assurances from directors and other lenders that payment will not be required for the next twelve months or until a capital raising of sufficient funds is made.

27. FINANCIAL INSTRUMENTS DISCLOSURES (CONTINUED)

(ii) Liquidity risk (continued)

Maturity Analysis - Consolidated - 2008	**Carrying Amount $**	**Contractual Cash flows $**	**< 6 mths $**	**6- 12 mths $**	**On demand * $**	**1-3 years $**	**> 3 years $**
Financial Assets							
Cash at bank and on hand	87,794	87,794	87,794	-	-	-	-
Other receivables	6,181	6,181	6,181	-	-	-	-
Security deposits	30,000	30,000	-	-	-	30,000	-
TOTAL	123,975	123,975	93,975	-	-	30,000	-
Financial Liabilities							
Trade Creditors	91,437	91,437	91,437	-	-	-	-
Other payables and accruals	493,904	493,904	-	100,853	393,051	-	-
Loans	852,247	852,247	-	-	852,247	-	-
TOTAL	1,437,588	1,437,588	91,437	100,853	1,245,298	-	-
NET MATURITY	(1,313,613)	(1,313,613)	2,538	(100,853)	(1,245,298)	30,000	-

Maturity Analysis - Parent - 2009

	Carrying Amount $	Contractual Cash flows $	< 6 mths $	6- 12 mths $	On demand * $	1-3 years $	> 3 years $
Financial Assets							
Cash at bank and on hand	13,943	13,943	13,943	-	-	-	-
Amounts due from wholly owned controlled entities	1,137,351	1,137,351	-	-	1,137,351	-	-
TOTAL	1,151,294	1,151,294	13,943	-	1,137,351	-	-
Financial Liabilities							
Trade Creditors	3,833	3,833	3,833	-	-	-	-
Other payables and accruals	339,925	339,925	-	59,580	280,345	-	-
Loans	1,038,195	1,038,195	-	-	1,038,195	-	-
Amounts due to wholly owned controlled entities	676,122	676,122	-	-	676,122	-	-
TOTAL	2,058,075	2,058,075	3,833	59,580	1,994,662	-	-
NET MATURITY	(906,781)	(906,781)	10,110	(59,580)	(857,311)	-	-

Maturity Analysis - Parent - 2008

	Carrying Amount $	Contractual Cash flows $	< 6 mths $	6- 12 mths $	On demand * $	1-3 years $	> 3 years $
Financial Assets							
Cash at bank and on hand	41,672	41,672	41,672	-	-	-	-
Amounts due from wholly owned controlled entities	1,092,378	1,092,378	-	-	1,092,378	-	-
TOTAL	1,134,050	1,134,050	41,672	-	1,092,378	-	-
Financial Liabilities							
Trade Creditors	73,881	73,881	73,881	-	-	-	-
Other payables and accruals	203,205	203,205	-	65,174	138,031	-	-
Loans	675,644	675,644	-	-	675,644	-	-
Amounts due to wholly owned controlled entities	673,130	673,130	-	-	673,130	-	-
TOTAL	1,625,860	1,625,860	73,881	65,174	1,486,805	-	-
NET MATURITY	(491,810)	(491,810)	(32,209)	(65,174)	(394,427)	-	-

* The Board has received assurances from directors and other lenders that payment will not be required for the next twelve months or until a capital raising of sufficient funds is made.

(iii) Interest rate risk

The Group does not have any exposure to fluctuations in interest rates that are inherent in financial markets as the loans are on fixed interest rate terms.

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 :

Consolidated -2009	NOTE	WEIGHTED AVERAGE INTEREST RATES	FLOATING INTEREST RATES	FIXED MATURING IN 1 YEAR TO 5 YEARS	NON-INTEREST BEARING	TOTAL
Financial Assets						
Cash	9	4.50%	21,859	-	-	21,859
Receivables	10	0.00%	-	-	56,852	56,852
Total Assets			**21,859**	**-**	**56,852**	**78,711**
Financial Liabilities						
Payables	16	0.00%	-	725,677	84,575	810,252
Loans	17	8.00%	-	1,235,842	-	1,235,842
Total Liabilities			**-**	**1,961,519**	**84,575**	**2,046,094**
Net financial assets (liabilities)			**21,859**	**(1,961,519)**	**(27,723)**	**(1,967,383)**

27. FINANCIAL INSTRUMENTS DISCLOSURES (CONTINUED)

(iii) Interest rate risk (continued)

Consolidated -2008	NOTE	WEIGHTED AVERAGE INTEREST RATES	FLOATING INTEREST RATES	FIXED MATURING IN 1 YEAR TO 5 YEARS	NON-INTEREST BEARING	TOTAL
Financial Assets						
Cash	9	4.50%	87,794	-	-	87,794
Receivables	10	0.00%	-	-	32,369	32,369
Total Assets			**87,794**	**-**	**32,369**	**120,163**
Financial Liabilities						
Payables	16	0.00%	-	-	585,341	585,341
Loans	17	8.00%	-	852,247	-	852,247
Total Liabilities			**-**	**852,247**	**585,341**	**1,437,588**
Net financial assets (liabilities)			**87,794**	**(852,247)**	**(552,972)**	**(1,317,425)**

The following sensitivity analysis is based on the interest rate risk exposure in existence at the balance sheet date. The analysis assumes all other variables remain constant.

Sensitivity Analysis	Consolidated			Blue Ensign Technologies Ltd		
Consolidated - 2009	Carrying amount	+3% interest rate Profit & Loss	-3% interest rate Profit & Loss	Carrying amount	+3% interest rate Profit & Loss	-3% interest rate Profit & Loss
Cash at bank	21,859	656	(656)	13,943	418	(418)
Loans	(1,235,842)	-	-	(1,038,195)	-	-
	(1,213,983)	656	(656)	(1,024,252)	418	(418)
Tax charge of 30%		(197)	197		(125)	125
Post tax profit increase / (decrease)		459	(459)		293	(293)

Sensitivity Analysis	Consolidated			Blue Ensign Technologies Ltd		
Consolidated - 2008	Carrying amount	+3% interest rate Profit & Loss	-3% interest rate Profit & Loss	Carrying amount	+3% interest rate Profit & Loss	-3% interest rate Profit & Loss
Cash at bank	87,794	2,634	(2,634)	41,672	1,250	(1,250)
Loans	(852,247)	-	-	(675,644)	-	-
	(764,453)	2,634	(2,634)	(633,972)	1,250	(1,250)
Tax charge of 30%		(790)	790		(375)	375
Post tax profit increase / (decrease)		1,844	(1,844)		875	(875)

(iv) Currency risk

The Group's policy is, where possible, to allow group entities to settle liabilities denominated in their functional currency with the cash generated from their own operations in that currency. Where group entities have liabilities denominated in a currency other than their functional currency (and have insufficient reserves of that currency to settle them) cash already denominated in that currency will, where possible, be transferred from elsewhere within the Group.

The Group's exposure to foreign currency risk is as follows:	Consolidated		Blue Ensign Technologies Ltd	
	2009 US$	**2008 US$**	**2009 US$**	**2008 US$**
Cash at bank	1,279	17,876	391	1,229
Loans and accruals	(548,448)	(268,469)	(296,511)	(123,762)
Net Exposure	(547,169)	(250,593)	(296,120)	(122,533)

The Group's most significant supplier, located in Australia, accounts for 79.7% of trade payables at 31 December 2009 .
The parent entity's most significant supplier, located in Australia, accounts for 75.9% of trade payables at 31 Deccember 2009 .

The following sensitivity analysis is based on the foreign currency risk exposures in existence at the balance sheet date.
The below analysis assumes all other variables remain constant.

Sensitivity Analysis	Consolidated			Blue Ensign Technologies Ltd		
Consolidated - 2009	Carrying amount US$	+10% USD/AUD Profit & Loss AUD$	-10% USD/AUD Profit & Loss AUD$	Carrying amount US$	+10% USD/AUD Profit & Loss AUD$	-10% USD/AUD Profit & Loss AUD$
Cash at bank	1,279	2,590	(2,590)	391	178	(178)
Loans and accruals	(548,448)	40,250	(40,250)	(296,511)	(17,929)	17,929
	(547,169)	42,840	(42,840)	(296,120)	(17,751)	17,751
Tax charge of 30%		(12,852)	12,852		5,325	(5,325)
Post tax profit increase / (decrease)		29,988	(29,988)		(12,426)	12,426

Sensitivity Analysis	Consolidated			Blue Ensign Technologies Ltd		
Consolidated - 2008	Carrying amount US$	+10% USD/AUD Profit & Loss AUD$	-10% USD/AUD Profit & Loss AUD$	Carrying amount US$	+10% USD/AUD Profit & Loss AUD$	-10% USD/AUD Profit & Loss AUD$
Cash at bank	17,876	2,590	(2,590)	1,229	178	(178)
Loans and accruals	(268,469)	(38,893)	38,893	(123,762)	(17,929)	17,929
	(250,593)	(36,303)	36,303	(122,533)	(17,751)	17,751
Tax charge of 30%		10,891	(10,891)		5,325	(5,325)
Post tax profit increase / (decrease)		(25,412)	25,412		(12,426)	12,426

(e) Accounting policies

Accounting policies in relation to financial assets and liabilities and share capital are contained in Note 1.

28. SEGMENT INFORMATION

The group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and allocating resources. The Group is managed primarily on the basis of mineral exploration and associated technology development in Australia.. Operating segments are therefore determined on the same basis.

Consolidated	**Exploration Australia**	**Total**	**Exploration Australia**	**Total**
Segment performance	**2009 $**	**2009 $**	**2008 $**	**2008 $**
Revenue				
Interest revenue	3,805	3,805	12,655	12,655
Other income	-	-	1,274	1,274
Total revenue	3,805	3,805	13,929	13,929
Operating result				
Segment net loss before tax	(715,909)	(715,909)	(676,596)	(676,596)
Reconciliation of segment result to group net loss before tax				
Amounts not included in segment result but reviewed by baord				
Corporate charges		(117,736)		(256,292)
Depreciation		(42,949)		(41,616)
Total net loss before tax		(876,594)		(974,504)
Segment assets and liabilities				
Segment assets	1,603,606	1,603,606	1,668,007	1,668,007
Unallocated assets		-		-
Group assets		1,603,606		1,668,007
Segment liabilities	2,049,452	2,049,452	1,440,041	1,440,041
Unallocated liabilities		-		-
Group liabilities		2,049,452		1,440,041

Blue Ensign Technologies Ltd	**Exploration Australia**	**Total**	**Exploration Australia**	**Total**
Segment performance	**2009 $**	**2009 $**	**2008 $**	**2008 $**
Revenue				
Interest revenue	2,013	2,013	11,473	11,473
Other income	66,642	66,642	108,519	108,519
Total revenue	68,655	68,655	119,992	119,992
Operating result				
Segment net loss before tax	(420,753)	(420,753)	(669,774)	(669,774)
Reconciliation of segment result to group net loss before tax				
Amounts not included in segment result but reviewed by board				
Corporate charges		(106,738)		(183,012)
Depreciation		(2,633)		(4,496)
Total net loss before tax		(530,124)		(857,282)
Segment assets and liabilities				
Segment assets	1,508,560	1,508,560	1,577,658	1,577,658
Unallocated assets		-		-
Group assets		1,508,560		1,577,658
Segment liabilities	2,058,816	2,058,816	1,627,152	1,627,152
Unallocated liabilities		-		-
Group liabilities		2,058,816		1,627,152

29. CONTINGENT LIABILITIES

	Consolidated 2009 $	Consolidated 2008 $
(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 a capital raising by any member of the Group which is sufficient to build a pilot plant.	1,957,816	1,798,990
(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.		
(c) Royalty entitlements Under the terms of the Assignment Agreement for the acquisition of the Rendall Intellectual Property, a royalty of 70% of net revenues generated from the licensing of the technology are payable to JSG - A Limited Partnership (vendor) and Mr Frank Ciotti (a director of the company). A controlled entity, RP International Pty Ltd (RPI), has entered into an agreement to acquire 21.4286% of the royalties payable under the assignment agreement. No amount is payable under the agreement until such time as the company has completed its IPO. The amount payable in this event is $US 2,000,000.	2,239,340	2,897,420

30. SUBSEQUENT EVENTS

On 4 June 2010 the company was delisted from ASX at its own request.

On the 16 November 2010 the company's rights to the Julia Creek tenements were renewed

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

31. ADDITIONAL COMPANY INFORMATION

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

32. NOTES TO STATEMENTS OF CASH FLOWS

(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, net of outstanding bank overdrafts. Cash at the end of the financial year as shown in the statement of cash flows is reconciled in the related items in the statement of financial position as follows:

	Consolidated 2009 $	Consolidated 2008 $	Blue Ensign Technologies Ltd 2009 $	Blue Ensign Technologies Ltd 2008 $
Cash at bank and on hand	21,859	87,794	13,943	41,672
	21,859	87,794	13,943	41,672

(b) Reconciliation of total comprehensive income (loss) after income tax to net cash flows from operating activities

	Consolidated 2009 $	Consolidated 2008 $	Blue Ensign Technologies Ltd 2009 $	Blue Ensign Technologies Ltd 2008 $
Total comprehensive income (loss) after income tax	(703,174)	(857,750)	(530,124)	(857,340)
Non cash items included in profit and loss				
Employee entitlement expense	(5,196)	16,064	(6,919)	5,519
Depreciation and amortisation	42,949	41,616	2,633	4,496
Diminution investments in subsidiaries	-	-	44,142	-
Diminution loans to subsidiaries	-	-	44,973	397,518
Foreign exchange loss	(114,718)	(12,076)	(55,637)	(4,813)
Gain on disposal of property, plant and equipment	-	(1,148)	-	(1,148)
Interest charged on loans unpaid	133,315	73,345	90,464	45,602
Management Fees	-	-	(66,642)	(107,245)
Option expense	29,362	(262,068)	29,362	5,380
Unrealised foreign exchange (gain) loss	(208)	58,038	-	27,132
Changes in assets and liabilities				
(Increase) in other receivables	(30,664)	39,668	(5,406)	23,516
(Decrease) Increase in trade creditors, other creditors and accruals	207,041	38,376	100,042	(110,773)
Net cash used in operating activities	(441,293)	(865,935)	(353,112)	(572,156)