



Quantum Energy Limited

And its controlled entities

A.B.N. 19 003 677 245

Annual Report
For the Financial Year Ended
30 June 2011

Quantum Energy Limited and Controlled Entities

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This financial report was authorised for issue by the Board of Directors on 30 September 2011. The Company has the power to amend and re-issue the financial report.

Quantum Energy Limited and Controlled Entities

Financial Report for the Year Ended 30 June 11

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the ANNUAL GENERAL MEETING of Quantum Energy Limited will be held at the Registered Office of the Company, 56-60 Bourke Road, Alexandria, NSW 2015 on 30 November 2011 at 3.00 pm.

BUSINESS

1. To receive the financial report of the Company and of the consolidated Group for the year ended 30 June 2011 and the reports by directors and auditors thereon.
2. To elect one director
 - i. John Walstab who retires by rotation in accordance with the provisions of the constitution and, being eligible, offers himself for re-election.
3. To receive, consider and adopt the remuneration report of the consolidated Group for the year ended 30 June 2011.
4. General: To transact any business which may be lawfully brought forward.

By Order of the Board

A handwritten signature in black ink, appearing to read 'John Walstab', with a stylized, cursive script.

John Walstab

Secretary

Date: 30 September 2011

Quantum Energy Limited and Controlled Entities

A member entitled to attend and vote is entitled to appoint a proxy to attend and vote in their stead. That person need not be a member of the Company, but should be a natural person over the age of 18 years. Forms must be lodged at the registered office of the Company not less than 48 hours before the timing of the meeting.

PROXY FORM

Registered Office: 56-60 Bourke Road, Alexandria, NSW 2015

I/We

of

being a member/members of Quantum Energy Limited hereby appoint

of

or in his/her absence,

of

or in his/her absence, the Chairman of the Meeting as my/our general/special proxy to vote on my/our behalf at the Annual General Meeting of the Company to be held at 3:00pm on 30 November 2011 or at any adjournment of that meeting.

signed this day of 2011

Signature of Shareholder

Unless otherwise instructed the proxy will vote as he or she thinks fit, or abstain from voting. If the chairman is appointed proxy, he will vote all undirected proxies in favour of all resolutions. Should the member wish to direct the proxy how to vote, the following should be completed.

	FOR	AGAINST	ABSTAIN
Agenda item No.:			
1. Adoption of Financial Report			
2. Election and appointment of Director — Re-election of Philip Sidney			
3. Adopt the remuneration report			

Quantum Energy Limited and Controlled Entities

CORPORATE GOVERNANCE STATEMENT

Quantum Energy is committed to good corporate governance and disclosure and the Company has adopted most of the ASX's "Corporate Governance Principles and Recommendations". Where specific ASX recommendations have not been adopted, the Company provides an explanation which is detailed below.

Board Composition

The names of the directors of the Company (as at the date of this report) are detailed below:

John Walstab	Executive director
Phillip Sidney	Managing director
Drew Townsend (Chairman)	Non-executive director

All directors have been in office since the start of the financial year.

1. Lay solid foundations for management and oversight

1.1 Formalise and disclose the functions of the Board and management

The directors of the Company are accountable to shareholders for the proper management of the business and affairs of the Company. The directors are members of the Board.

The key responsibilities of the Board are:

- the oversight of the Company, including its control and accountability systems;
- establishing, monitoring and modifying corporate strategies and performance objectives;
- ensuring that appropriate risk management systems, internal compliance and control, reporting systems, codes of conduct, and legal compliance measures are in place;
- monitoring the performance of management and implementation of strategy, and ensuring appropriate resources are available;
- approving and monitoring of financial and other reporting;
- approving dividends, major capital expenditure, acquisitions and capital raising;
- appointment and removal of executives, Company secretary and senior management.

1.2 The performance of executives

The performance of executives is assessed by the Board and the Board makes decisions on the number and bases of any bonuses and options. Senior executives are assessed regularly by the Board.

2. Structure the Board to add value

2.1 Board composition

The composition of the Board has been detailed above.

The skills, experience and expertise relevant to the position of each director who was in office at the date of the 2011 Annual Report and their term of office are detailed in the Directors' Report.

While none of the Board members are independent directors, the Board believes that the people on the Board can and do make independent judgements in the best interests of the Company at all times.

Directors have the right to seek independent professional advice in the furtherance of their duties as directors at the Company's expense. Approval must be obtained from the chairman prior to incurring any expenses on behalf of the Company.

When determining whether a non-executive director is independent the director must not fail any of the following materiality thresholds:

- Must not be a substantial shareholder or 'associated directly with' a substantial shareholder of the Company (a substantial shareholder holding 5% or more of the shares issued by the Company).
- Must not have been employed as an executive by the Company or a Group member within the previous three years after ceasing to hold such employment.
- Must not be a principal of a 'material professional advisor' or a 'material consultant' to the Company or a Group member.
- Must not be a material supplier or customer of the Company (or a Group member) or an officer of or otherwise associated directly or indirectly with a material supplier or customer.
- Must not have served on the Board for a period which could be perceived to materially interfere with the director's ability to act in the best interests of the Company.
- Must be free from any interest and any business or other relationship which could reasonably be perceived to materially interfere with director's ability to act in the best interests of the Company.

Details of the skills, experience and expertise of each director are included in the Directors' Report for the year ended 30 June 2011.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

2.1 Board composition (continued)

2.2 Chair of the Board

The Chair is a non-executive director and not an independent director. The Board believes that the chair is able to formulate proper and independent judgement on all relevant issues falling within the scope of the role of a chair.

2.3 Roles of managing director and chair

The roles of managing director and chair are not exercised by the same individual. The Board has delegated day to day responsibility for the management of the Company to the executive directors. The executive directors must consult the Board on all matters that are sensitive, extraordinary or of a strategic nature.

2.4 Nomination committee

The Company does not have a nomination committee as the size of the Company and the Board does not warrant such a committee. All Board nomination matters are considered by the whole Board.

2.5 Evaluating Performance of Board and directors

No formal performance evaluation of the Board and directors was conducted for the financial year ended 30 June 2011. The chair speaks to each director individually regarding their role as director.

3. Promote ethical and responsible decision – making

3.1 Code of conduct

The Company recognises the need for directors and employees to observe the highest standards of behaviour and business ethics. All directors and employees are expected to act in accordance with the law and with the highest standard of propriety. The responsibility for reporting and investigating reports of unethical practices rests with the Board including the executive directors.

3.2 Share trading policy

The Company's policy regarding directors and employees trading in its securities is set by the Board. The policy restricts directors and employees from acting on material information until it has been released to the market and adequate time has been given for this to be reflected in the security's prices.

4. Safeguard integrity in financial reporting

4.1 Audit and risk management committee

The Company has an Audit and Risk Management Committee.

4.2 Structure of audit and risk management committee

Due to the size of the Board the members of the Audit and Risk Management Committee include all three directors with Drew Townsend as the Chairman of the Committee. This Committee provides assistance in fulfilling the corporate governance and oversight responsibilities of the Board to verify and safeguard the integrity of the financial reporting of the Company.

The Directors' Report details members of the committee and meetings held during the financial year.

4.3 Committee charter

The Audit and Risk Management Committee does not have a formal charter.

The Audit and Risk Management Committee is responsible for the appointment of the external auditor. The audit engagement partner is required to rotate every 5 years.

5. Make timely and balanced disclosure

Quantum Energy has established procedures to ensure compliance with the ASX Listing Rules so that Company announcements are made in a timely manner, are factual, do not omit material information and are expressed in a clear and objective manner that allows investors to assess the impact of the information when making investment decisions. Established policies also ensure accountability at a senior management level for ASX compliance.

The Board considers all disclosures necessary to ensure compliance with ASX Listing Rule disclosure requirements.

6. Respect the rights of shareholders

Quantum Energy has a communications strategy and an established policy on stakeholder communication and continuous disclosure to promote effective communication with shareholders, subject to privacy laws and the need to act in the best interests of the Company by protecting commercial information.

The auditor is invited to the Annual General Meeting, to be available to answer shareholder questions about the conduct of the audit and the preparation and content of the Auditor's Report.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

7. Recognise and manage risk

7.1 The Board has established policies on risk oversight and management.

The executive directors continually monitor areas of significant business risk. Once particular risks are identified it is the responsibility of the whole Board to ensure that management takes such action as is required to manage the risk.

To carry out the risk oversight and management function the Audit and Risk Management Committee:

- reviews the financial reporting process of the Company including financial reports;
- discusses with management and the external auditors the adequacy and effectiveness of the accounting and financial controls, including the policies and procedures of the Company to assess, monitor and manage business risk;
- reviews with the external auditor any audit problems and the Company's critical policies and practices;
- reviews and assesses the independence of the external auditor.

7.2 Risk management and internal controls

The Board requires management to:

- design and implement the risk management and internal control system to manage the Company's material business risks.
- report to it on whether those risks are being managed effectively.

Management has reported to the Board in relation to risk management, and the Board considers that the major business risks are being managed effectively.

The systems are designed to provide reasonable, but not absolute, protection against fraud and material misstatement. These controls are intended to identify, in a timely manner, control issues that require attention by the Board or Audit and Risk Management Committee.

7.3 Assurances from CEO and CFO

The Board believes the system of internal financial control which has been established by management is operating effectively in all material respects in relation to financial reporting risk.

The Corporations Act 2001 requires the Managing Director and CFO to state in writing to the Board that the financial reports of the Company present a true and fair view, in all material respects, of the Company's financial position and operational results and are in accordance with relevant accounting standards, that this declaration is founded on a sound system of risk management and internal compliance and control which implement the policies adopted by the Board, and that the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

8. Remunerate fairly and responsibly

8.1 Remuneration policy and committee

The remuneration policy, which sets the terms and conditions for remuneration of executive directors and other senior executives, has been approved by the Board. Due to the size of the Board the Company does not have a remuneration committee. Details of these contracts are included in the Remuneration Report in the Directors' Report for the year ended 30 June 2011. The Board reviews executive packages annually by reference to Company performance, executive performance, comparable information from industry sectors and other listed companies.

8.2 Structure of directors and executive remuneration

The amount of remuneration of all directors and executives, including all monetary and non-monetary components, is detailed in the Directors' Report.

Payment of equity-based executive remuneration is within thresholds approved by shareholders.

The Board expects that the remuneration structure implemented will result in the Company being able to attract and retain the best executives to run the businesses. It will also provide executives with necessary incentives to work to grow long-term shareholder value.

Quantum Energy Limited and Controlled Entities

DIRECTORS' REPORT

The Directors present their report together with the consolidated financial report of Quantum Energy Limited ("the Company") and its controlled entities (together referred to as "the Group") for the financial year ended 30 June 2011.

Directors

The Directors of the Company at any time during or since the end of the financial year are:

- Mr Drew Townsend (Chairman)
- Mr Philip Sidney
- Mr John Walstab

Directors have been in office since the start of the financial year to the date of this report. The particulars of the qualifications, experience and independence status of each Director as at the date of this report are set out below in this report. Mr Walstab has also been acting as the Company Secretary since the start of the financial year to the date of this report.

Principal Activities

The principal activities of the Group during the financial year continue to be:

- Manufacture and distribution of energy saving hot water, heating and cooling systems for residential and commercial markets in Australia and internationally.
- Distribution of high end medical products particularly in the field of nuclear medicine.

There were no significant changes in the nature of the Group's principal activities during the financial year.

Operating results

The net loss from continuing operations of the Group after providing for income tax amounted to \$ 5,223,072 (2010: profit \$8,468,869).

The total comprehensive income (loss) for the year is (\$ 10,822,559) (2010: \$ 8,950,000) including a loss of \$ 4,642,649 from discontinued operations (2010: \$ Nil).

Review of Operations

The Directors are disappointed with the results for the year.

The Group experienced a challenging year with the Environmental Services Division impacted by the significant uncertainty and changes concerning the level of government assistance provided to consumers in the renewable energy sector.

During the year, the Group established a new retail Solar Division distributing and installing photovoltaic products to generate electricity for consumers. However significant losses were incurred and as a result of the ongoing uncertainty and regulatory changes within the renewable energy sector, in June 2011 the Group closed the Division.

Domestically a recent improvement in sales activity has been noted and the Group expects this improvement to continue through financial year 2012 as the uncertainty subsides. Quantum is expecting the Environmental Services Division to return to profitability with a renewed focus on sales and distribution channels to support business within Australia.

The high end Medical Distribution Division also had a difficult year with strong competition resulting in a reduction in margins. The business products experienced difficulty in obtaining the desired market penetration.

The current level of orders and sales activity is excellent and Quantum expects the result to substantially improve in financial year 2012.

Financial position

The net assets of the consolidated group have decreased by \$ 10,814,488 as at 30 June 2011.

During the Financial Year, the Company reduced its borrowings with Westpac by \$ 11,858,000 and since year end it has further reduced its borrowings with Westpac by \$ 4,002,000.

The Directors believe the Group is in a strong and stable financial position to grow its current operations.

Quantum Energy Limited and Controlled Entities

Directors' report (continued)

Significant changes and state of affairs

Other than those events detailed above, there were no significant changes in the state of affairs of the Group.

Events subsequent to balance date

In the interval between the end of financial year and the date of this report no other matter or circumstance has arisen that has significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in future financial years.

Future developments, prospects and business strategies

The Group is unaware of any factors which are likely to affect results in the future. The consolidated group operations are not significantly affected by environmental regulations except to the extent that government regulatory legislation for environmental technologies may impact the growth of sales of energy efficient products.

Dividends paid or recommended

No dividends were paid or declared for payment during the financial year or since the end of the financial year.

Environmental Regulation

The Group's operations are not significantly affected by environmental regulations except to the extent that government regulatory legislation for environmental technologies may impact the growth of sales of energy efficient products.

Information on the Directors

The following persons were directors during the whole of the financial year and up to the date of this report:

Drew Townsend	— Chairman and Non-Executive Director.
Qualifications	— Bachelor of Commerce, Member of Institute of Company Directors and Member of Institute of Chartered Accountants.
Experience	— Appointed Chairman 2003. Board member since 2003. Over 20 years experience in Australian and International accounting and finance.
Interest in Shares and Options	— 759,991,417 ordinary shares (most are held jointly with other directors) in Quantum Energy Limited.
Phillip Sidney	— Managing Director
Experience	— Board member since 2002. Wide range of experience in manufacturing and marketing both in Australia and overseas.
Interest in Shares and Options	— 762,930,454 ordinary shares (most are held jointly with other directors) in Quantum Energy Limited.
John Walstab	— Executive Director and Company Secretary
Experience	— Board member since 2003. Wide range of experience in technology organisations and developing overseas markets.
Interest in Shares and Options	— 85,006,134 ordinary shares (863,550 shares are held jointly with other directors) in Quantum Energy Limited.

None of the directors hold, or have held, a position as Director of another listed Company at any time in the 3 years prior to 30 June 2011.

Quantum Energy Limited and Controlled Entities

Directors' report (continued)

Meetings of Directors

During the financial year, 7 meetings of directors and 2 meetings of committees of directors were held. Attendances by each director during the year were as follows:

	Board of Directors		Audit & Risk Management Committee	
	Number eligible to Attend	Attended	Number eligible to Attend	Attended
Mr D.A. Townsend	7	7	2	2
Mr P.G. Sidney	7	7	2	2
Mr J. Walstab	7	7	2	2

Indemnifying Officers or Auditors

During the financial year the Company paid a premium in respect of a contract insuring the directors of the Company against any liability incurred as such by a director or secretary to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Company has, during the financial year, agreed to indemnify officers of the Group or any related body against a liability incurred by such an officer.

Options

At the date of this report, there are no unissued ordinary shares of Quantum Energy Limited under options. Since balance date the following options expired:

Grant Date	Date of Expiry	Exercise Price	Number under Option
18/09/2006	31/08/2011	\$0.10	2,000,000
			2,000,000

Option holders do not have any rights by virtue of the options to participate in any issues of shares by the Company or any other entity. For details of options issued to directors and executives as remuneration, refer to the Remuneration Report.

During the year ended 30 June 2011, no ordinary shares of Quantum Energy Limited were issued on the exercise of options. No options have been granted since year end.

Proceedings on Behalf of Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

Non-audit Services

There were no non-audit services provided during the year to the Group by HLB Mann Judd (NSW Partnership) or any related entity.

Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2011 has been received and a copy can be viewed on page 13 of the Annual Report.

ASIC Class Order 98/100 Rounding of Amounts

The Company is an entity to which ASIC Class Order 98/100 applies and, accordingly, amounts in the financial statements and Directors' Report have been rounded to the nearest thousand dollars, or in certain cases to the nearest dollar.

Quantum Energy Limited and Controlled Entities

Directors' report (continued)

REMUNERATION REPORT (Audited)

This report outlines the remuneration arrangements in place for each director of Quantum Energy Limited and for the executives receiving the highest remuneration.

(1) Remuneration philosophy

The performance of Quantum Energy Limited depends upon the quality of its directors and executives. To prosper, the Company must attract, motivate and retain highly skilled directors and executives.

To this end, Quantum Energy embodies the following principles in its remuneration framework:

- provide competitive rewards to attract high calibre executives
- link executive rewards to shareholder value
- establish appropriate, demanding performance hurdles in relation to variable executive remuneration.

While Quantum Energy Limited does not have a remuneration committee, the Board of directors is responsible for determining and reviewing compensation arrangements for the directors, and the senior management team.

Remuneration structure

In accordance with best practice corporate governance, the structure of non-executive director and senior management remuneration is separate and distinct.

Non-executive director remuneration

As all directors of the Company are stakeholders, directors' remuneration is not as important as is generally the case.

The only non-executive director is Drew Townsend, who did not receive remuneration in this period.

Senior executives and executive director remuneration

Objective

Quantum Energy Limited aims to reward executives with a level and mix of remuneration which is commensurate with their position, their responsibilities within the Group, their length of service and the overall performance of the Group, and so as to:

- reward executives for Group and individual performance against targets set by reference to appropriate benchmarks;
- align the interests of executives with those of shareholders;
- link rewards with the strategic goals and performance of the Company;
- ensure total remuneration is competitive by market standards.

Structure

Details of contracts with Directors and senior executives are shown below.

Remuneration for senior managers and executive directors consists of the following key elements:

- fixed remuneration
- variable remuneration being short and long term incentives

Fixed Remuneration

Fixed remuneration is reviewed regularly. Senior managers are given the opportunity to receive their fixed (primary) remuneration in a variety of forms including cash and fringe benefits such as motor vehicle leases. The remuneration component of the key management personnel (directors and most highly remunerated senior managers) is detailed below.

Variable Remuneration

The objectives of the short and long term incentive plans are:

- to link the achievement of the Group's operational targets with the remuneration received by the executives charged with meeting those targets; and
- to reward directors and senior executives in a manner which aligns this element of remuneration with the creation of shareholder wealth.

Quantum Energy Limited and Controlled Entities

Directors' report (continued)

REMUNERATION REPORT (Audited) (continued)

Incentives

- Short term incentives are delivered in the form of cash bonus rewards, being incentive payments based on key performance indicators such as sales targets.
- Long term incentives are delivered in the form of options. Details of options granted to directors and key management personnel in the 2011 financial year are set out below.

Company performance, shareholder wealth and director and executive remuneration

The following table shows the performance of the Consolidated Group during the past five financial years:

Fiscal Year	Sales Revenue	NPAT/ (NLAT)	Basic EPS	Share price at balance date	Net Equity	NTA per share
	\$000	\$000	Cents	Cents	\$000	\$
2007	35,971	3,915	0.38	0.09	12,344	0.010
2008	29,590	(7,704)	(0.75)	0.05	4,661	0.010
2009	106,422	30,261	2.97	0.25	34,492	0.02
2010	81,200	8,469	0.83	0.08	43,449	0.030
2011	43,806	(9,866)	(0.97)	0.04	32,635	0.014

No dividends have been paid by the Company during the past 5 years.

The employment conditions of the Managing Director, Philip Sidney, Director Mr. John Walstab, and other specified executives are formalised in contracts of employment. All executives are permanent employees of Quantum Energy Limited or its controlled entities.

(2) Employment contracts for director and senior executives

Under the terms of the present employment contracts, which have no fixed term, the executives may resign from their positions and thus terminate their contract by giving one month's written notice. The Company may terminate these employment agreements by providing one to three month's written notice or by payment in lieu of the notice period based on the executive's fixed component of remuneration. There are no other termination payments included in the contracts. Termination payments are generally not payable on resignation or dismissal for serious misconduct. In the instance of serious misconduct the Company can terminate employment at any time.

(3) Remuneration of Key Management Personnel and Other Executives

The key management personnel of the Group and the specified executives of the Company and the Group are the directors of the Company and the executives as set out in the table below. This includes the 5 highest remunerated Group and /or Company executives.

Quantum Energy Limited and Controlled Entities

Directors' report (continued)

REMUNERATION REPORT (Audited) (continued)

			Short-Term Benefits			Post-Employment Benefits	Share-Based Benefits	Total
			Salary/Fees and Commission	Cash Bonus	Non-monetary Benefits	Super-annuation	Options	
Executive Directors								
P.G Sidney	2	2011	492,118	-	-	47,504	-	539,622
		2010	492,111	-	3,012	47,503	-	542,626
J. Walstab		2011	160,268	-	-	15,208	-	175,476
		2010	231,929	-	-	27,125	-	259,054
Total Directors		2011	652,386	-	-	62,712	-	715,098
Total Directors		2010	724,040	-	3,012	74,628	-	801,680
Key Executives								
B. Harrold	1	2011	135,230	-	-	9,908	-	145,138
(Resigned on 11 March 2011)		2010	106,660	-	1,012	10,408	-	118,080
A. Merrow		2011	112,614	-	-	10,550	-	123,164
(Promoted on 15 May 2011)		2010	-	-	-	-	-	-
A. McDonald	1	2011	162,510	127,000	-	14,626	-	304,136
		2010	315,544	50,000	4,756	33,626	-	403,926
Y. You	1 & 2	2011	222,783	-	-	21,407	8,069	252,259
		2010	222,783	-	262	21,407	8,304	252,756
J. Hewlett	1	2011	175,497	111,960	-	15,795	-	303,252
		2010	159,033	-	-	17,673	-	176,706
R. McLean		2011	-	-	-	-	-	-
(Resigned on 26 March 2010)		2010	221,627	-	440	16,781	-	238,848
A. Fairfull	1 & 2	2011	227,986	-	-	21,473	-	249,459
(Appointed on 24 May 2010)		2010	15,262	-	-	1,456	-	16,718
S Goulter		2011	-	-	-	-	-	-
(Resigned on 5 May 2010)		2010	126,785	-	-	9,811	-	136,596
Total Key Executives		2011	1,036,620	238,960	-	93,759	8,069	1,377,408
Total Key Executives		2010	1,167,694	50,000	6,470	111,162	8,304	1,343,630
Grand Total		2011	1,689,006	238,960	-	156,471	8,069	2,092,506
Grand Total		2010	1,891,734	50,000	9,482	185,790	8,304	2,145,310

1. Denotes one of the 5 highest paid executives of the Group, as required to be disclosed under the Corporations Act 2001.

2. Executive of Quantum Energy Ltd - some remuneration may be paid by a controlled entity. Other key management personnel remuneration is paid by controlled entities.

Relative proportion of remuneration linked to performance

	2011	2010
A. McDonald	42%	12%
Y. You	3%	4%
J. Hewlett	37%	-

Quantum Energy Limited and Controlled Entities

Directors' report (continued)

REMUNERATION REPORT (Audited) (continued)

(4) Changes in Directors and Executives Subsequent to Year-end

There has been no change in directors or executives subsequent to year end.

(5) Options and Rights Granted and Exercised

During the financial year ended 30 June 2011, there were no options/ rights issued or exercised.

Description of Options/Rights Issued as Remuneration

Details of the options granted as remuneration to those key management personnel and executives listed in the previous table are as follows:

Name	Grant date	Grant number	Date vested & exercisable	Last date exercisable	Exercise price	Value per option at grant date
					\$	\$
Y.You	18/09/2006	666,667	1/09/2009	31/08/2011	0.10	0.024
Y.You	18/09/2006	666,667	1/09/2010	31/08/2011	0.10	0.024
Y.You	18/09/2006	666,666	1/07/2011	31/08/2011	0.10	0.024

Option values at grant date were determined using the Black-Scholes method. The exercise price is set in relation to the market price at date of the grant. All options were granted for \$Nil consideration. Each option is convertible into one ordinary share. Options carry no voting or dividend rights. These options lapse on termination of employment. The only grants of options affecting remuneration of key management personnel in the previous, this or future reporting periods are those shown above.

Options issued to Y.You expired on 31 August 2011.

This Directors Report, incorporating the Remuneration Report, is signed in accordance with a resolution of the Board of Directors.



Phillip Sidney
Director
30 September 2011

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Quantum Energy Limited for the year ended 30 June 2011, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

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

This declaration is in relation to Quantum Energy Limited and the entities it controlled during the year.



D K Swindells
Partner

30 September 2011

QUANTUM ENERGY LIMITED
ACN 19 003 677 245

INDEPENDENT AUDITOR'S REPORT

To the members of Quantum Energy Limited

Report on the Financial Report

We have audited the accompanying financial report of Quantum Energy Limited ("the company"), which comprises the statement of financial position as at 30 June 2011, the statement of comprehensive income, the statement of changes in equity and the 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 for the consolidated entity. The consolidated entity comprises 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 control as the directors determine is 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 consolidated financial report complies with International Financial Reporting Standards.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's 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 control relevant to the company'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 company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

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

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, provided to the directors of Quantum Energy Limited on 30 September 2011, would be in the same terms if provided to the directors as at the time of this auditor's report.

Auditor's Opinion

In our opinion:

- (a) the financial report of Quantum Energy Limited is in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 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.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2011. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion, the Remuneration Report of Quantum Energy Limited for the year ended 30 June 2011 complies with section 300A of the *Corporations Act 2001*.

Sydney
30 September, 2011

HLB MANN JUDD
Chartered Accountants



D K Swindells
Partner

DIRECTORS' DECLARATION

1. In the directors opinion:
 - (a) the financial statements and notes set out on pages 17 to 49 are in accordance with the Corporations Act 2001, including:
 - (i) complying with Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the financial year ended on that date; and
 - (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
2. The notes to the financial statements include a statement of compliance with International Financial Reporting Standards.
3. The directors have been given the declarations by the chief executive officer and chief financial officer for the year ended 30 June 2011 required by section 295A of the Corporations Act 2001.

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

A handwritten signature in black ink, appearing to read 'P. Sidney', with a large, stylized loop at the end.

Phillip Sidney
Director

30 September 2011

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2011

	Note	Consolidated Group	
		2011	2010
		\$ 000	\$ 000
Revenue from continuing activities	2	43,806	81,200
Cost of Sales		(23,774)	(39,303)
Employee benefits expense		(12,622)	(11,517)
Depreciation and amortisation expense – non-manufacturing		(632)	(529)
Advertising and promotion expenses		(383)	(928)
Finance costs	3	(1,523)	(1,562)
Legal fees		(227)	(286)
Profit (loss) on disposal of plant & equipment		-	(17)
Impairment of equity accounted investment	17	(2,837)	-
Research and development expenditure		(124)	(29)
Travel expenses		(1,473)	(1,236)
Motor vehicle expenses		(1,064)	(872)
Warranty expenses		66	(411)
Telephones & internet		(444)	(395)
Consultants		(330)	(609)
Freight & delivery expenses		(85)	(247)
Occupancy (rent) expenses		(1,909)	(2,121)
Insurance		(425)	(180)
Profit (loss) on disposal of financial assets (Renewable Energy Certificates)		(1,057)	(487)
Fair value profit (loss) on financial assets (Renewable Energy Certificates)		984	(3,196)
Other expenses		(2,631)	(4,227)
(Loss) Profit from Continuing Operations before income tax		(6,684)	13,048
Income tax (expense) credit	4	1,461	(4,579)
Net (Loss) profit from Continuing Operations		(5,223)	8,469
(Loss) from Discontinued Operations	6	(4,643)	-
Net (Loss) profit after tax		(9,866)	8,469
Other comprehensive income (loss)			
Translation of foreign subsidiaries		(957)	481
Total comprehensive income (loss) for the period		(10,823)	8,950
Earnings per share:			
Basic earnings per share (cents per share)	8	(0.97)	0.83
Diluted earnings per share (cents per share)	8	(0.97)	0.83

The accompanying notes form part of these financial statements.

BALANCE SHEET AS AT 30 JUNE 2011

		Consolidated	
		2011	2010
	Note	\$000	\$000
CURRENT ASSETS			
Cash and cash equivalents	9	4,531	2,734
Trade and other receivables	10	9,715	14,854
Inventories	11	17,683	22,544
Financial assets	12	13,402	27,737
Other current assets	17	1,327	1,529
Assets classified as held for sale	6	6,118	-
TOTAL CURRENT ASSETS		52,776	69,398
NON-CURRENT ASSETS			
Trade and other receivables	10	378	356
Property, plant and equipment	14	1,809	2,286
Deferred tax assets	15	5,960	2,501
Intangible assets	16	11,955	11,955
Other	17	165	163
TOTAL NON-CURRENT ASSETS		20,267	17,261
TOTAL ASSETS		73,043	86,659
CURRENT LIABILITIES			
Trade and other payables	18	15,252	15,085
Borrowings	19	16,628	15,157
Current tax liabilities	20	276	2,008
Short term provisions	21	2,290	2,360
Liabilities associated with assets held for sale	6	2,138	-
TOTAL CURRENT LIABILITIES		36,584	34,610
NON-CURRENT LIABILITIES			
Borrowings	19	3,445	8,276
Employee benefits	21	379	324
TOTAL NON-CURRENT LIABILITIES		3,824	8,600
TOTAL LIABILITIES		40,408	43,210
NET ASSETS		32,635	43,449
EQUITY			
Issued capital	22	83,789	83,789
Reserves	23	(310)	638
Retained earnings (accumulated losses)		(50,844)	(40,978)
TOTAL EQUITY		32,635	43,449

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2011

	Ordinary Share Capital	Option Reserve	Undistributable Profits Reserve	Exchange Translation Reserve	Retained Profits (Losses)	Total
	\$000	\$000	\$000	\$000	\$000	\$000
Consolidated						
Balance at 1 July 2009	83,789	136	504	(490)	(49,447)	34,492
Total comprehensive income for the year	-	-	-	481	8,469	8,950
Options issued to employees	-	7	-	-	-	7
Balance at 30 June 2010	83,789	143	504	(9)	(40,978)	43,449
Balance at 1 July 2010	83,789	143	504	(9)	(40,978)	43,449
Total comprehensive income for the year	-	-	-	(957)	(9,866)	(10,823)
Options issued to employees	-	9	-	-	-	9
Balance at 30 June 2011	83,789	152	504	(966)	(50,844)	32,635

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2011

		Consolidated	
		2011	2010
	Note	\$000	\$000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		48,823	58,868
Receipts from legal case settlement		207	1,033
Payments to suppliers and employees		(63,793)	(71,799)
Interest received		39	40
Finance costs		(2,255)	(2,866)
Income tax paid		(1,741)	(10,177)
Net cash used in operating activities	26	<u>(18,720)</u>	<u>(24,901)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(243)	(424)
Proceeds of sale of property, plant and equipment		-	54
Dividends received from unrelated entity		6	8
Payments for financial assets		(4,890)	(16,303)
Proceeds from sale of financial assets		32,620	36,043
Acquisition of investment		(2,837)	-
Acquisition of convertible note		(191)	-
Net cash provided by investing activities		<u>24,465</u>	<u>19,378</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings - 3rd party		4,535	15,310
Proceeds from borrowings - related party		1,443	-
Repayments of borrowings - 3rd party		(12,118)	(10,506)
Advances to related parties		(173)	-
Net cash provided by (used in) financing activities		<u>(6,313)</u>	<u>4,804</u>
Net (decrease) increase in cash held		(568)	(719)
Cash at beginning of financial year		689	1,408
Cash at end of financial year	9	<u>121</u>	<u>689</u>

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

This financial report includes the consolidated financial statements of Quantum Energy Limited and controlled entities ('consolidated Group' or 'Group').

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions.

The financial statements also comply with International Financial Reporting Standards.

Material accounting policies adopted in the preparation of this financial report are presented below and have been consistently applied unless otherwise stated.

The financial report has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

(a) Principles of Consolidation

A controlled entity is any entity over which Quantum Energy Limited has the power to govern the financial and operating policies so as to obtain benefits from its activities.

A list of controlled entities is contained in Note 13 to the financial statements.

The assets and liabilities of all controlled entities have been incorporated into the consolidated financial statements as well as their results for the year.

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

(b) Income Tax

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

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

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

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

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been expensed but future tax deductions are available. No deferred income tax is recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability. Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

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

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Tax (continued)

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

Tax Consolidation

Quantum Energy Limited and its wholly-owned Australian subsidiaries have formed an income tax consolidated Group under tax consolidation legislation. Each entity in the Group recognises its own current and deferred tax assets and liabilities. Such taxes are measured using the 'stand-alone taxpayer' approach to allocation. Deferred tax assets arising from unused tax losses and tax credits in the subsidiaries are immediately assumed by the head entity. The Group notified the Tax Office that it had formed an income tax consolidated Group to apply from 1 July 2003. The tax consolidated Group has entered a tax sharing agreement whereby each Company in the Group contributes to the income tax payable by the Group in proportion to their contribution to the Group's taxable income. Differences between the amounts of net tax assets and liabilities recognised pursuant to the tax sharing agreement are recognised as either a contribution by, or distribution to, the head entity.

(c) **Inventories**

Inventories are measured at the lower of cost and net realisable value. The cost of manufactured products includes direct materials, direct labour and an appropriate portion of variable and fixed overheads. Overheads are applied on the basis of normal operating capacity.

(d) **Property, Plant and Equipment**

Each class of property, plant and equipment is carried at cost less accumulated depreciation and impairment losses.

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

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

Depreciation

The depreciable amount of all plant and equipment, including buildings and capitalised lease assets, is depreciated on a straight-line basis over the asset's useful life to the consolidated Group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

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

<i>Class of Fixed Asset</i>	<i>Depreciation Rate</i>
Plant and equipment - General	15%– 20%
- Office Equipment	33%
- Motor Vehicles	12.5% – 23%

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, Plant and Equipment (continued)

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

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

Gains and losses on disposal are determined by comparing proceeds with the carrying amount. These gains and losses are included in profit or loss.

(e) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to entities in the Group are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

(f) Financial Instruments

Recognition

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

Financial assets at fair value through profit or loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management and within the requirements of AASB 139: Financial Instruments: Recognition and Measurement.

Financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses from changes in the fair value are presented in profit or loss within other income or expenses in the period in which they arise.

Loans and receivables

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

Available-for-sale financial assets

Available-for-sale financial assets include any financial assets not included in the above categories. Available-for-sale financial assets are measured at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity.

Impairment

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

Financial liabilities

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

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Impairment of Other Assets

At each reporting date, the Group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to profit or loss.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(h) Intangibles

Goodwill

Goodwill and goodwill on consolidation are initially recorded at the amount by which the purchase price for a business combination exceeds the net fair value of identifiable assets, liabilities and contingent liabilities at date of acquisition. Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Any gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(i) Foreign Currency Transactions and Balances

Functional and Presentation Currency

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Transaction and Balances

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

Exchange differences arising on the translation of monetary items are recognised in profit or loss.

Group Companies

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

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

Exchange differences arising on translation of foreign operations are recognised in other comprehensive income.

(j) Employee Benefits

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) **Provisions**

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

(l) **Provision for Warranties**

Provision is made in respect of the Group's estimated liability on all products and services under warranty at balance date. The provision is based on the Group's history of claims to settle warranty obligations over the last two years, calculated as a percentage of revenue.

(m) **Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, deposits held at call with banks and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheet.

(n) **Revenue and Other Income**

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed.

Revenue from the sale of goods is recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership, subject to retention of title conditions.

Interest revenue is recognised using the effective interest rate method, which, for floating rate financial assets, is the rate inherent in the instrument. Dividend revenue is recognised when the right to receive a dividend has been established.

Revenue recognition relating to the provision of services is determined with reference to the stage of completion of the transaction at reporting date and where outcome of the contract can be estimated reliably.

(o) **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 intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(p) **Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(q) **Comparative Figures**

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

(r) **Rounding of Amounts**

The Group has applied the relief available to it under ASIC Class Order 98/100; accordingly, amounts in the financial report and directors' report have been rounded off to the nearest \$1,000, or in certain cases to the nearest dollar.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) **Critical Accounting Estimates and Judgments**

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

Key Estimates

(i) *Impairment*

The Group assesses impairment at each reporting date by evaluating conditions and events specific to the Group that may be indicative of impairment triggers. Where any impairment trigger exists, the recoverable amount of the asset is determined. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions.

Key Judgements

(i) *Provision for Impairment of Receivables*

The Directors have reviewed outstanding debtors of the Group as at 30 June 2011, and have formed the opinion that an amount receivable from sales made during the current financial year amounting to \$530,019 is not collectable, and have created an allowance for impairment.

(ii) *Provision for Impairment of Inventory*

No provision for impairment was included in inventory at reporting date.

(iii) *Impairment of Goodwill*

The directors have assessed the value of goodwill at balance date, and have determined that the net book value at 30 June 2011 is recoverable. Further details are included in note 16.

(t) **Fair Value Measurement**

The fair value of financial assets and liabilities are estimated for recognition and disclosure purposes in accordance with AASB 7 – Financial Instruments: Disclosure which requires disclosures of fair value measurements by level of the following fair value measurement hierarchy:

- a) Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;
- b) Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- c) Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

(u) **New Accounting Standards for Application in Future Periods**

The Australian Accounting Standards Board (AASB) has issued new, revised and amended standards and interpretations that have mandatory application dates for future reporting periods. The Group has decided against early adoption of these standards. These standards and interpretations are not expected to have a material impact on the Group.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTE 2: REVENUE AND OTHER INCOME

	Consolidated Group	
	2011	2010
	\$ 000	\$ 000
Revenue		
Sale of goods	38,885	73,907
Services revenue	4,886	5,040
	<u>43,771</u>	<u>78,947</u>
Other Income		
Revenue from legal case settlement	-	1,595
Interest receivable- other entities	-	23
Interest receivable – related parties	51	156
Dividend from unrelated parties	6	8
Other revenue	(22)	471
	<u>35</u>	<u>2,253</u>
Total Revenue	<u>43,806</u>	<u>81,200</u>

NOTE 3: PROFIT (LOSS) FOR THE YEAR

Expenses

Finance costs		
- External	1,277	1,347
- Related parties	246	215
Total finance costs	<u>1,523</u>	<u>1,562</u>
Foreign currency losses (gains)	(131)	357

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**NOTE 4: INCOME TAX EXPENSE (CREDIT)**

	Consolidated Group	
	2011	2010
	\$ 000	\$ 000
(a) Continuing Operations		
The components of income tax expense comprise:		
Current tax relating to Continuing Operations	-	3,349
Deferred tax relating to Continuing Operations	(1,461)	1,234
Deferred Tax Assets/Liabilities not previously recognised	-	(4)
	<u>(1,461)</u>	<u>4,579</u>
Discontinued Operations		
The components of income tax expense comprise:		
Current tax relating to Discontinued Operations	-	-
Deferred tax relating to Discontinued Operations	(1,989)	-
Over (under provision) for income tax prior years	-	-
Deferred Tax Assets/Liabilities not previously recognised	-	-
	<u>(1,989)</u>	<u>-</u>
Consolidated Group		
The components of income tax expense comprise:		
Current tax	-	3,349
Deferred tax	(3,450)	1,234
Deferred Tax Assets/Liabilities not previously recognised	-	(4)
	<u>(3,450)</u>	<u>4,579</u>
(b) Consists of:		
The prima facie tax on profit (loss) from continuing activities before income tax is reconciled to the income tax expense (credit) as follows:		
Prima facie tax payable on profit (loss) from continuing activities before income tax at 30% (2010:30%)	(2,005)	3,914
Add (Deduct) tax effect of:		
Non-allowable items	44	466
Share options expensed	2	2
DTA on impairment of investment not recognised	851	(4)
DTA on foreign loss not recognised	60	175
Recoupment of tax loss previously not recognised by foreign subsidiary	(45)	-
Difference in tax rate	(366)	(1,078)
Investment allowance	-	(3)
Fully franked dividend	(2)	(2)
Withholding tax on exempt income	-	1,109
Income tax expense (credit)	<u>(1,461)</u>	<u>4,579</u>
The applicable weighted average effective tax rates are	0%	35%

(c) Other Comprehensive Income:

There is no income tax on the item in other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**NOTE 5: INTERESTS OF KEY MANAGEMENT PERSONNEL**

(a) Names and positions held of consolidated entity key management personnel in office at any time during the financial year are:

D.A. Townsend Chairman and Non-executive director

P.G. Sidney Managing Director

J. Walstab Director and Company Secretary

B. Harrold General Manager (Resigned 1 March 2011)

A. Merrow National Sales Manager, Quantum Energy Technologies Pty Ltd (Australia, Subsidiary)
(Promoted 15 May 2011)

A. McDonald Director, Insight Oceania Pty Ltd (subsidiary)

Y. You Director, Quantum Energy (Suzhou) (subsidiary)

J. Hewlett Director, Insight Oceania Pty Ltd (subsidiary)

R. McLean Manager, International (Resigned 26 March 2010)

A. Fairfull Manager, International (Appointed 24 May 2010)

S. Goulter Sales Manager, Quantum Energy Technologies Pty Ltd (Australia, subsidiary)
(Resigned 5 May 2010)

(b) Key Management Personnel remuneration

	Consolidated Group	
	2011	2010
	\$000	\$000
Short-term employee benefits	1,928	1,951
Post-employment benefits	156	186
Share-based payments	8	8
	<u>2,092</u>	<u>2,145</u>

(c) Option holdings

Details of options held by key management personnel

	Balance 1.7.10	Granted as Remuneration	Options Exercised	Expired	Balance 30.6.11	Total Vested and Exercisable 30.6.11	Total Unexercisable 30.6.11
	No.	No.	No.	No.	No.	No.	No.
<i>Specified executives</i>							
Y. You	2,000,000	-	-	-	2,000,000	1,333,333	666,667

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**NOTE 5: INTERESTS OF KEY MANAGEMENT PERSONNEL (CONTINUED)****(d) Shareholdings**

The numbers of shares in the Company held during the year by each director of the Company and other key management personnel of the Group, including their personally related parties, are set out below:

	Balance 1.7.10	Sold	Purchased	Balance 30.6.11
	No.	No.	No.	No.
<i>Directors</i>				
D.A Townsend	759,991,417 *	-	-	759,991,417 *
P.G. Sidney	760,761,207**	-	2,169,247	762,930,454**
J.Walstab	85,018,434***	12,300	-	85,006,134***
<i>Specified Executives</i>				
A.McDonald	62,816,973	494,077	-	62,322,896
J. Hewlett	5,701,137	-	-	5,701,137
Y. You	8,000	-	-	8,000
A. Merrow				
A. Fairfull	-		-	-

* 759,031,867 held jointly with P Sidney, and 863,550 held jointly with P Sidney and J Walstab

** 759,031,867 held jointly with D Townsend, and 863,550 held jointly with D Townsend and J Walstab

*** 863,550 held jointly with D Townsend and P Sidney.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**NOTE 6: DISCONTINUED OPERATIONS**

	Consolidated Group	
	2011	2010
	\$ 000	\$ 000
(a) Financial Performance Information		
Financial Performance information in relation to Discontinued operation as described in (e) below		
Revenue	7,208	-
Expenses	(13,840)	-
Net Loss before Income Tax	(6,632)	-
Income Tax expense (credit)	(1,989)	-
Loss after income tax from Discontinued Operations	(4,643)	-
(b) Cash Flow information		
Cash flow information in relation to Discontinued operation as described in (e) below		
Net Cash (out) Flow from Operating Activities	(7,435)	-
Net Cash (out) Flow from Investing Activities	(4,329)	-
Net Cash flow from Financing Activities	11,768	-
(c) Assets classified as held for sale		
Assets held for sale (discontinued operation – see (e) below)		
Trade Receivables	116	-
Inventories	3,680	-
Financial Assets	1,166	-
Other Current Assets	158	-
Property Plant and Equipment	998	-
	6,118	-
(d) Liabilities directly associated with assets classified as held for resale		
Liabilities held for sale (discontinued operation – see (e) below)		
Trade & Other Payables	908	-
Borrowings - Current	261	-
Tax Liability	48	-
Provisions - Employee Benefits	31	-
Borrowings – Non-Current	890	-
	2,138	-
(e) Discontinued Operation		
On 30 June 2011 the Company closed down its retail Solar Power Division.		
The Company is actively selling its remaining assets.		

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**NOTE 7: REMUNERATION OF AUDITORS**

	Consolidated Group	
	2011	2010
	\$000	\$000
Auditing and reviewing financial reports		
Current auditor - HLB Mann Judd (NSW Partnership)	243	240
Non-HLB Mann Judd (NSW Partnership)		
auditor for audit of subsidiary company	7	7
	<u>250</u>	<u>247</u>

NOTE 8: EARNINGS PER SHARE

	Consolidated Group	
	2011	2010
	Cents per Share	Cents per Share
Basic earnings per share	(0.97)	0.83
Diluted earnings per share	(0.97)	0.83
(a) Reconciliation of earnings to profit or loss		
	2011	2010
	\$000	\$000
Net profit/(loss)	(9,866)	8,469
Earnings used to calculate basic EPS	(9,866)	8,469
Earnings used to calculate diluted EPS	(9,866)	8,469
	No.	No.
(b) Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	1,018,308,291	1,018,308,291
(c) Weighted average number of ordinary shares outstanding during the year used in calculating diluted EPS	1,018,308,291	1,020,173,819

Options on issue during the year are considered to be anti-dilutive, and have not been included in calculating diluted EPS.

NOTE 9: CASH AND CASH EQUIVALENTS

	Consolidated Group	
	2011	2010
	\$000	\$000
Cash as shown in the balance sheet is reconciled to cash at the end of the financial year shown in the Cash Flow Statement		
Cash at bank and in hand	4,531	2,734
Bank Overdraft (note 19)	(4,410)	(2,045)
	<u>121</u>	<u>689</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**NOTE 10: TRADE AND OTHER RECEIVABLES**

		Consolidated Group	
		2011	2010
		\$000	\$000
CURRENT	Note		
Trade receivables		10,613	16,157
Allowance for doubtful debts		(518)	(528)
Impairment on receivables		(530)	(913)
Other receivables – related parties		150	138
		<u>9,715</u>	<u>14,854</u>
NON-CURRENT			
Trade receivables		187	356
Convertible note		191	-
		<u>378</u>	<u>356</u>
Trade receivables past due, not impaired			
61-90 days past due		38	1,270
91+ past due		1,586	2,262
		<u>1,624</u>	<u>3,532</u>

Provision For Impairment of Receivables

Current trade and term receivables are non-interest bearing and generally on 30-day terms. An allowance for impairment is recognised when there is objective evidence that an individual trade or term receivable is impaired.

Terms of trade with some customers include an agreement that the customers may settle the amounts due to the Group by assigning Renewable Energy Certificates ("RECs") to the Group at an agreed price. The impairment is due to the market value of the RECs at balance date being less than the agreed price.

Credit Risk — Trade and Other Receivables

The Group has no significant concentration of credit risk. The class of assets described as Trade and Other Receivables is considered to be the main source of credit risk related to the Group. On a geographical basis, the Group has significant credit risk exposures in Australia given the substantial operations in this country.

The Group has retention of title clauses over goods sold until payment is received. The Group does not hold any financial assets with terms that have been renegotiated, but which would otherwise be past due or impaired.

NOTE 11: INVENTORIES

		Consolidated Group	
		2011	2010
		\$000	\$000
At Cost			
Raw materials and stores		179	157
Work in progress		-	-
Finished goods		17,504	22,387
		<u>17,683</u>	<u>22,544</u>
Less: Provision for impairment		-	-
		<u>17,683</u>	<u>22,544</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**NOTE 12: FINANCIAL ASSETS**

		Consolidated Group	
		2011	2010
		\$000	\$000
Current			
Financial assets at fair value through profit or loss:			
- Shares in listed companies	(a)	149	105
- Renewable Energy Certificates	(a)	11,937	26,739
Loans to related parties		1,316	893
		<u>13,402</u>	<u>27,737</u>

(a) Level 1 in fair value hierarchy (refer Note 1 (t)): The fair values of shares in listed companies and Renewable Energy Certificates are based on quoted market prices at the end of the reporting period. During the year ended 30 June 2010, Directors decided to hold Renewable Energy Certificates, rather than sell them when acquired. Renewable Energy Certificates are therefore reclassified as financial assets from the date of the decision.

NOTE 13: CONTROLLED ENTITIES

Name of entity	Country of Incorporation	Ownership Interest	
		2011	2010
Parent entity			
Quantum Energy Limited	Australia		
Controlled entity			
Quantum Energy Technologies Pty Ltd	Australia	100%	100%
Quantum Energy Installations Pty Ltd	Australia	100%	100%
InSight Oceania Pty Ltd	Australia	100%	100%
Medishop Pty Ltd	Australia	100%	100%
Quantum Solar Power Pty Ltd	Australia	100%	-
Quantum Energy Technologies (Suzhou) Co Ltd	China	100%	100%
Surfside Manly Football Club Pty Ltd	Australia	100%	

NOTE 14: PROPERTY, PLANT AND EQUIPMENT

		Consolidated Group	
		2011	2010
		\$000	\$000
Land & Buildings at cost		231	231
Plant & Equipment at cost		4,933	4,769
Accumulated depreciation		(3,355)	(2,714)
		<u>1,809</u>	<u>2,286</u>
Movements in carrying amounts			
Opening Balance		2,286	2,049
Additions		286	916
Disposals/Writeoffs		(131)	(72)
Depreciation/amortisation expense		(632)	(607)
Closing balance		<u>1,809</u>	<u>2,286</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**NOTE 15: DEFERRED TAX ASSETS**

	Consolidated Group	
	2011	2010
	\$ 000	\$ 000
Consists of:		
- Inventories	88	311
- Employee entitlements	555	440
- Borrowing & capital raising costs	-	14
- Lease liability	255	202
- Accruals and Provisions	1,310	1,186
- Other	(207)	(118)
- Impairment provisions	466	466
- Tax losses	3,493	-
	5,960	2,501

NOTE 16: INTANGIBLE ASSETS

	Consolidated Group	
	2011	2010
	\$000	\$000
Goodwill on acquisition:		
Cost	83,146	83,146
Accumulated impairment losses	(71,191)	(71,191)
Net carrying amount	11,955	11,955
Movement:		
Opening net book amount	11,955	11,955
Closing net book amount	11,955	11,955

Impairment Disclosures

Goodwill has been tested for impairment at 30 June 2011, which indicated that book values are equal to or less than the value in use. Goodwill is allocated to cash-generating units which are based on the Group's reporting segments.

	Consolidated Group	
	2011	2010
	\$000	\$000
Medical (InSight Oceania Pty Ltd)	11,811	11,811
Heat pump technologies	144	144
Total	11,955	11,955

The recoverable amount of each cash-generating unit is determined based on value-in-use calculations.

The value in use calculation for the goodwill on acquisition of InSight Oceania Pty Ltd is based on estimated maintainable Earnings Before Interest and Taxes ("EBIT"), discounted at 17.5% per annum.

Sensitivity Analysis

If the discount rate used was changed to 24.5% the recoverable amount of the InSight business acquired would approximately equal the carrying amount.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**NOTE 17: OTHER ASSETS**

Consolidated Group		
	2011	2010
	\$000	\$000
CURRENT		
Prepayments	989	1,450
Other	338	79
	<u>1,327</u>	<u>1,529</u>
NON-CURRENT		
Security Deposits	165	163
Investment accounted for using the equity method		
– at cost	2,837	-
- less: Impairment	(2,837)	-
	<u>165</u>	<u>163</u>

Movement in investments accounted for using the equity method:

Balance at beginning of the year	-	-
Investment at cost	2,837	-
Impairment	(2,837)	-
Balance at end of the year	<u>-</u>	<u>-</u>

Information in relation to Associate

- (i) Name: Manly Warringah Sea Eagles Limited
- (ii) Ownership interest: 35% (2010: \$ Nil)
- (iii) Share of profit (loss) recognised: \$ Nil

No material share of losses of the associate is unrecognised.

NOTE 18: TRADE AND OTHER PAYABLES

	2011	2010
	\$000	\$000
CURRENT		
Unsecured liabilities:		
Trade payables	7,173	9,288
Deferred income	2,139	2,155
Employee benefits	717	973
Sundry payables and accrued expenses		
- Directors	969	867
- Directors of subsidiaries	482	34
- Other	3,772	1,768
	<u>15,252</u>	<u>15,085</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**NOTE 19: BORROWINGS**

	Consolidated Group	
	2011	2010
	\$000	\$000
CURRENT		
Unsecured liabilities:		
- Loans – other parties	901	-
Secured liabilities:		
- Lease liability	453	336
- Bank loans	10,698	12,776
- Other parties	166	-
- Bank overdraft	4,410	2,045
	<u>16,628</u>	<u>15,157</u>
NON-CURRENT		
Unsecured liabilities:		
- Loans - Directors	2,610	1,160
- Loans - Directors of subsidiaries	127	17
- Other parties	1	1
Secured liabilities:		
- Bank loans	-	6,198
- Lease liability	707	900
	<u>3,445</u>	<u>8,276</u>

The secured borrowings – Bank loans are secured as to \$ 7,098,000 (2010: \$ 18,956,000) by fixed and floating charges over the assets of the parent entity and certain subsidiaries and negative pledge conditions, and as to \$ 3,600,000 (2010: \$ Nil) over Renewable Energy Certificates included in the balance sheet at market value of \$ 6,930,000 (2010: \$ Nil).

The lease liabilities are secured over the assets to which the leases relate.

Loans from Directors and Directors of subsidiaries are repayable at the discretion of the Company.

NOTE 20: INCOME TAX

	Consolidated Group	
	2011	2010
	\$000	\$000
CURRENT		
Income tax payable	276	2,008

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**NOTE 21: PROVISIONS**

	Consolidated Group	
	2011	2010
	\$000	\$000
CURRENT		
Employee benefits	1,286	825
Warranty	1,004	1,535
	<u>2,290</u>	<u>2,360</u>
	Consolidated Group	
	2011	2010
	\$000	\$000
NON-CURRENT		
Employee benefits	379	324
	<u>379</u>	<u>324</u>

NOTE 22: ISSUED CAPITAL

	Consolidated Group			
	2011	2010	2011	2010
	No.	No.	\$	\$
Fully paid ordinary shares	1,018,308,291	1,018,308,291	83,789	83,789
Movements:				
At the beginning of the year	1,018,308,291	1,018,308,291	83,789	83,789
At the end of the year	<u>1,018,308,291</u>	<u>1,018,308,291</u>	<u>83,789</u>	<u>83,789</u>

Capital Management

Management controls the capital of the Group in order to meet debt covenants, provide shareholders with adequate returns and ensure the Group can fund its operations and continue as a going concern. The Group's debt and capital includes ordinary share capital and financial liabilities supported by financial assets.

The Company has a debt covenant prescribed by its bank, Westpac Banking Corporation. Refer Notes 19 and 26.

Management effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in risks and in the market. These responses include the management of debt levels and share issues. There have been no changes in the strategy adopted by management to control the capital of the Group since the prior year.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**NOTE 23: RESERVES**

	Consolidated Group	
	2011	2010
	\$000	\$000
Reserves		
Option Reserve	152	143
Undistributable Profits Reserve	504	504
Exchange Translation Reserve	(966)	(9)
	<u>(310)</u>	<u>638</u>

Option Reserve

The option reserve records items recognised as expenses in relation to employee share options.

Undistributable Profits Reserve

The undistributable profits reserve records profits earned by Quantum Energy Technologies (Suzhou) Co Ltd that are required to be retained by that Company and cannot be distributed as dividends to Quantum Energy Limited. The reserve is currently at its maximum required amount.

Exchange Translation Reserve

The exchange translation reserve records the exchange differences arising on translation of the financial statements of overseas subsidiaries to Australian dollars.

NOTE 24: LEASING COMMITMENTS

	Consolidated Group	
	2011	2010
	\$000	\$000
Finance lease commitments		
Minimum lease payments payable within		
- 1 year	530	421
- between 1 year and five years	<u>747</u>	<u>977</u>
	1,277	1,398
Less: Future finance charges	<u>(117)</u>	<u>(162)</u>
	<u>1,160</u>	<u>1,236</u>
Disclosed as:		
Current liability (Note 19)	453	336
Non-current liability (Note 19)	<u>707</u>	<u>900</u>
	<u>1,160</u>	<u>1,236</u>
Operating lease commitments		
Non-cancellable operating leases contracted but not Capitalised in the financial statements		
- Payable within one year	1,460	1,599
- Payable later than 1 year and not later than 5 years.	<u>414</u>	<u>1,679</u>
	<u>1,874</u>	<u>3,278</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**NOTE 25: SEGMENT REPORTING**

	Environmental Services		Medical		Investments		Unallocated		Elimination		Consolidated-Continuing Operations	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000
Total revenue	23,194	58,252	20,622	22,948	-	-	(10)	-	(0)	-	43,806	81,200
Profit/(Loss) from ordinary activities	(328)	7,388	(240)	2,527	(3,061)	-	(997)	262	(597)	(1,708)	(5,223)	8,469
Segment assets	33,707	62,403	32,349	30,491	11,937	-	22,545	25,639	(33,613)	(31,874)	66,925	86,659
Segment liabilities	19,330	36,409	16,370	16,391	6,437	-	13,208	10,361	(17,075)	(19,951)	38,270	43,210
Income tax expense	(1,136)	2,445	151	1,380	-	-	(690)	(675)	214	1,429	(1,461)	4,579
Depreciation	600	486	32	43	-	-	-	-	-	-	632	529
Impairment Loss (Gain) recognised in profit or loss	-	-	-	-	2,837	-	-	-	-	-	2,837	-
Fair value profit/(loss) on financial assets	984	(3,196)	-	-	-	-	-	-	-	-	984	(3,196)
Acquisition of Property, plant & equipment	242	887	44	29	-	-	-	-	-	-	286	916

	2011	2010	2011	2010
	\$ 000	\$ 000	\$ 000	\$ 000
Total revenue	7,208	-	51,014	81,200
Profit/(Loss) from ordinary activities	(4,643)	-	(9,866)	8,469
Segment assets	6,118	-	73,043	86,659
Segment liabilities	2,138	-	40,408	43,210
Income tax expense	(1,989)	-	(3,450)	4,579
Depreciation	151	-	783	529
Impairment Loss (Gain) recognised in profit or loss	296	-	3,133	-
Fair value profit/(loss) on financial assets	-	-	984	(3,196)
Acquisition of Property, plant & equipment	1,355	-	1,641	916

Accounting Policies

Segment revenues and expenses are those directly attributable to the segments and include any joint revenue and expenses where a reasonable basis of allocation exists. Segment assets include all assets used by a segment and consist principally of cash, receivables, inventories, intangibles, other financial assets and property, plant and equipment, net of allowances and accumulated depreciation and amortisation. While most assets can be directly attributed to individual segments, the carrying amount of certain assets used jointly by two or more segments is allocated to the segments on a reasonable basis. Segment liabilities consist principally of payables, employee benefits, accrued expenses, provisions and borrowings.

From 1 July 2010, following a decision to hold Renewable Energy Certificates, these assets have been included in Investments. Prior to that date, these assets were included in Environmental Services assets.

Business Segments

The entity operates in three business segments, being the manufacturing and distribution of energy saving heat pump technology, hot water and heat/cooling systems, the distribution of high-end medical products and investments in Renewable Energy Certificates and other assets.

Geographical Segments

The consolidated Group predominately operates in two geographical segments with manufacturing operations in China and distribution in Australia.

Intersegment Transfers

There were no intersegment transfers.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**NOTE 26: CASH FLOW INFORMATION**

	Consolidated Group	
	2011	2010
	\$000	\$000
(a) Reconciliation of Cash Flow from		
Operations with Profit after Income Tax		
Operating profit (loss) after income tax	(9,866)	8,469
Receivables settled by receipt of Renewable Energy Certificates	(13,550)	(50,124)
Non-cash items in profit (loss)		
- Depreciation	632	607
- Foreign currency losses/(gains)	(957)	481
- Loss on sale of assets/investments	1,164	503
- Change in fair value of financial assets	(984)	2,282
- Provision for Annual leave and long service leave	174	45
- Impairment of receivables	421	-
- Share options expenses	(9)	(7)
- Impairment of inventories	889	-
- Impairment of fixed assets	205	-
- Impairment of investments	2,837	-
(Increase)/Decrease in:		
- Trade debtors & other receivables	3,284	23,564
- Inventories	292	1,850
- Prepayments	990	-
Increase/(Decrease) in:		
- Trade creditors & accruals	1,478	(6,947)
- Provision for warranty	(529)	(26)
- Income tax	(5,191)	(5,598)
Cash flows from (used in) operations	(18,720)	(24,901)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**NOTE 26: CASH FLOW INFORMATION (CONTINUED)**

	Consolidated Group	
	2011	2010
	\$000	\$000
(b) Credit Standby		
Arrangements with Banks		
Credit facility*	3,000	3,000
Amount utilised	(4,410)	(2,045)
Amount available (Overdrawn) **	(1,410)	955

* A bank overdraft facility has been arranged with the Westpac Banking Corporation with the general terms and conditions being set and agreed to annually.

** Account was temporarily overdrawn as at 30 June 2011. Account is currently within available balance limits.

Loan facilities	7,098	18,974
Amount utilised	(7,098)	(18,974)
Amount available	-	-

The loan facility has been provided by Westpac Banking Corporation with security being a floating charge over the assets of the Company and certain subsidiary companies together with a requirement for the ratio of EBIT to interest expense to be a minimum of 3, calculated as:

Earnings before Interest and Tax

Gross Interest

For the years ended 30 June 2010 and 30 June 2011, the requirements of a minimum capital adequacy ratio of 25% also applied, calculated as:

Tangible Net Worth (excl. Intangibles/Goodwill) + Shareholders loans

Total Tangible Assets (excl. Intangibles/Goodwill)

The Group did not always comply with first bank covenant and the bank took no action. However the facilities have changed with all bank loans repayable to the bank by 31 October 2011 with the exception of the overdraft facility.

The Group has also obtained bank financing by way of a sale with recourse of Renewable Energy Certificates.

Finance received	3,600	-
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTE 27: OPTIONS

On 18 September 2006 4,000,000 options were granted to employees at an exercise price of \$0.10 each. The options vest in equal tranches on 1 September 2009, 1 September 2010 and 1 July 2011. All options had lapsed or expired by 31 August 2011.

On 22 February 2008 3,500,000 options were granted to 2 executives at an exercise price of \$0.15 each. The options vest and are exercisable in equal tranches on 1 December 2009, 1 December 2010 and 1 December 2011. In October 2008 2,000,000 options expired and in March 2010, the remaining 1,500,000 options expired on the resignation of the executive.

On 21 July 2008 1,000,000 options were granted to 1 executive at an exercise price of \$0.15 each. The options vest and are exercisable in equal tranches on 25 July 2009, 25 July 2010 and 25 July 2011. The options expired on the resignation of the executive.

All options granted are over ordinary shares in Quantum Energy Limited, which confer a right of one ordinary share for every option held.

Consolidated Group and Parent		
	2011	2010
	No. Options	No. Options
Outstanding at the beginning of the year	4,000,000	6,500,000
Expired	(2,000,000)	(2,500,000)
Outstanding at year-end	2,000,000	4,000,000
Exercisable at year end	1,333,334	666,667

The options outstanding at 30 June 2011 have a weighted average exercise price of \$0.10 (2010 - \$0.10) and a weighted average remaining contractual life of 0.17 years (2010: 1.17 years). Further details of these options are provided in the Report of the Directors. The options lapse when the holder ceases employment with the Group or on their expiry.

NOTE 28: RELATED PARTY DISCLOSURES

(a) 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 13 to the financial statements.

(b) Key management personnel

Details of directors' remuneration are disclosed in the Remuneration Report in the Directors' Report, and in Note 5.

(c) Directors' equity holdings

Details of directors' and key management personnel's equity holdings are disclosed in Note 5.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**NOTE 28: RELATED PARTY DISCLOSURES (CONTINUED)****(d) Other transactions with directors and director related entities**

	2011 \$000	2010 \$000
Payment for accountancy services to Hall Chadwick Chartered Accountants of which Drew Townsend is a Partner	160	101
Payment for brokerage to Navigator in which Hall Chadwick has a 50% interest and in which Company Drew Townsend is beneficially a shareholder	-	11
Accrued interest payable/(receivable) on loans from/(to) directors and director related parties at 10% per annum. For J Walstab, 15% on \$ 1,542,219 advanced to the Group on 18 January 2011; balance of loan at 10%.		
- Phillip Sidney	(110)	(114)
- John Walstab	969	867
- Drew Townsend	(40)	(24)
- Andrew McDonald	3	1
- James Hewlett	36	33
Unsecured loans from/(to) directors and related parties		
- Phillip Sidney	(1,066)	(656)
- John Walstab	2,610	1,160
- Drew Townsend	(250)	(238)
Unsecured loans from directors of subsidiary companies		
- Andrew McDonald	10	15
- James Hewlett	117	2
Rental income received on property leased to Quantum Group by the directors	701	578
Sale of solar panels to Drew Townsend	12	-
Interest expense/(income) on loans from/(to) Directors		
- Phillip Sidney	4*	(130)
- John Walstab	217	149
- Drew Townsend	(16)*	(25)
- Andrew McDonald	2	32
- James Hewlett	3	11
* includes correction of prior year interest charge		
Travel & other advance to:		
- John Walstab	46	6
- Andrew McDonald	50	50
- James Hewlett	5	-
Bonus payable to:		
- Andrew McDonald	127	-
- James Hewlett	262	150

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**NOTE 28: RELATED PARTY DISCLOSURES (CONTINUED)****(e) Loans to key management personnel**

	Balance at beginning of the year	Interest payable for the year	Transfers between loan account and Interest account	Loans made (repayments received) during the year	Balance at end of the year	Highest Indebtedness in the year	Number in the group at end of year
2011	\$000	\$000	\$000	\$000	\$000	\$000	
Phillip Sidney							
- Loan	656	-	-	410	1,066	1,066	
- Accrued Interest	114	(4)	-	-	110	114	
Drew Townsend							
- Loan	238	-	-	12	250	250	
- Accrued Interest	24	16	-	-	40	40	
							2
2010							
Phillip Sidney							
- Loan	(917)	-	(1,030)	2,603	656	656	
- Accrued Interest	(1,046)	130	1,030	-	114	114	
Drew Townsend							
- Loan	-	-	(24)	262	238	238	
- Accrued Interest	(25)	25	24	-	24	24	
							2

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTE 29: FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks:

- 1) Market risk – including:
 - i. Foreign Exchange risk
 - ii. Interest rate risk
 - iii. Price risk
- 2) Credit risk, and
- 3) Liquidity risk

1 (i). Foreign exchange risk

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

The Group does not hedge and therefore is exposed to fluctuations in foreign currencies arising from the sale and purchase of goods and services in currencies other than the Group's functional currency. The Group monitors movements in exchange rates.

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

	Converted to Australian dollars	
	2011	2010
	\$000	\$000
Receivables:		
China RMB	895	155
Euro	-	14
New Zealand dollars	264	398
Total amounts receivable in foreign currencies	1,159	567
Payables:		
China RMB	821	314
Euro	6	96
US dollars	308	93
New Zealand dollars	22	17
Total amounts payable in foreign currencies	1,157	520

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**NOTE 29: FINANCIAL RISK MANAGEMENT (CONTINUED)****1 (ii). Interest rate risk**

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

	Weighted Average Interest Rate		Floating Interest Rate		Fixed Interest Rate Maturing				Non-Interest Bearing		Total	
					Less than 1 Year		1 to 5 Years					
	%		\$000		\$000		\$000		\$000		\$000	
Consolidated	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Financial assets:												
Cash	1.9%	1.75%	4,531	2,734	-	-	-	-	-	-	4,531	2,734
Trade & Other Receivables			-	-	-	-	191	-	9,902	15,210	10,093	15,210
Renewable Energy Certificates			-	-	-	-	-	-	11,937	26,739	11,937	26,739
Shares in Listed Companies			-	-	-	-	-	-	149	105	149	105
Other			-	-	1,316	893	-	-	165	163	1,481	1,056
Total financial assets			4,531	2,734	1,316	893	191	-	21,988	42,217	28,191	45,844
Financial liabilities:												
Bank loans	6.5%	5.0%	10,698	12,956	-	-	-	6,000	-	18	10,698	18,974
Bank overdraft	11.3%	11.0%	4,410	2,045	-	-	-	-	-	-	4,410	2,045
Lease liability	7.7%	7.7%	-	-	453	336	707	900	-	-	1,160	1,236
Other loans	10.0%	10.0%	3,805	-	-	-	-	1,178	-	-	3,805	1,178
Trade and other creditors			-	-	-	-	-	-	15,252	15,085	15,252	15,085
Total financial liabilities			18,913	15,001	453	336	707	8,078	15,282	15,928	35,325	38,518

1 (iii). Price risk

Price risk relates to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices largely due to demand and supply factors for commodities.

The Group is exposed to movement in the market values of Renewable Energy Certificates ("RECs").

2. Credit risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counter parties of contract obligations that could lead to a financial loss to the Group. The consolidated Group does not have any material credit risk exposure to any single receivable or Group of receivables under financial instruments entered into by the consolidated Group.

Credit risk is managed through the maintenance of procedures including the utilisation of systems for the approval, granting and renewal of credit limits, regular monitoring of exposures against such limits and monitoring of the financial stability of significant customers and counter parties, ensuring to the extent possible, that customers and counter parties to transactions are of sound credit worthiness. Such monitoring is used in assessing receivables for impairment. Within the Group, credit terms are generally 30 to 60 days from the invoice date.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**NOTE 29: FINANCIAL RISK MANAGEMENT (CONTINUED)****Credit risk (continued)**

Risk is also minimised through investing any surplus funds in financial institutions that maintain a high credit rating.

The maximum exposure to credit risk by class of recognised financial assets at balance date, excluding the value of any collateral or other security held, is equivalent to the carrying value and classification of those financial assets as presented in the balance sheet.

Risk is also minimised through investing any surplus funds in financial institutions that maintain a high credit rating.

3. Liquidity risk

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

- preparing forward looking cash flow analysis in relation to its operational, investing and financing activities
- monitoring undrawn credit facilities
- maintaining a reputable credit profile
- managing credit risk related to financial assets

Financial liability maturity analysis

	Within 1 month		After 1 month, within 1 year		1 to 5 Years		Total	
	\$000		\$000		\$000		\$000	
Consolidated	2011	2010	2011	2010	2011	2010	2011	2010
Financial liabilities:								
Bank loans	1,500	1,820	9,198	10,956	-	6,198	10,698	18,974
Bank overdraft	-	-	4,410	2,045	-	-	4,410	2,045
Lease liability	38	20	415	316	707	900	1,160	1,236
Other loans	-	-	2,627	-	1,178	1,178	3,805	1,178
Trade and other creditors	15,252	3,662	-	11,423	-	-	15,252	15,085
Total financial liabilities	16,790	5,502	16,650	24,740	1,885	8,276	35,325	38,518

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTE 30: PARENT ENTITY INFORMATION

	Consolidated Group	
	2011	2010
	\$000	\$000
Current assets	1,236	206
Total assets	20,717	25,146
Current liabilities	8,959	5,517
Total liabilities	19,155	19,137
Shareholders equity:		
Issued capital	83,788	83,789
Option reserve	150	143
Retained earnings	(82,377)	(77,922)
	1,561	6,010
Profit (loss) for the year	(4,456)	(1,583)
Other comprehensive income	-	-
Total comprehensive income	(4,456)	(1,583)

NOTE 31: ECONOMIC DEPENDENCY

A significant portion of the business is dependent on the continuation of government assistances to consumers in relation to energy efficient hot water systems.

NOTE 32: COMPANY DETAILS

The registered office of the Company and the principal place of business is:

Quantum Energy Limited

56-60 Bourke Road, Alexandria, NSW 2015

SECURITIES EXCHANGE INFORMATION

(a) Distribution of Shareholders as at 15 September 2011

Holdings Ranges	Holders	Total Shares	%
1-1,000	77	39,888	0.004
1,001-5,000	288	941,082	0.092
5,001-10,000	328	2,698,019	0.265
10,001-100,000	620	21,532,367	2.115
100,001-99,999,999,999	152	993,096,935	97.524
Totals	1,465	1,018,308,291	100.00

(b) There are currently 862 holders with less than a marketable parcel of 17,857 shares

(c) The names of the substantial shareholders listed in the holding Company's register as at 15 September 2011 are as follows. This also reflects the directors relevant stock interests:

Directors	Shares	Options
D.A. Townsend	759,991,417 *	0
P.G. Sidney	762,930,454 **	0
J. Walstab	85,006,134 ***	0
Ordinary shareholder	Relevant interest notified	
Crisp Holdings Ltd	753,736,667 ordinary shares	

* 759,031,867 held jointly with P Sidney and 863,550 held jointly with P Sidney and J Walstab

** 759,031,867 held jointly with D Townsend and 863,550 held jointly with D Townsend and J Walstab

*** 863,550 held jointly with D Townsend and P Sidney and 863,550 held jointly with P Sidney

(d) Unquoted equity securities

There are no options issued.

(e) Voting Rights

Each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.

SECURITIES EXCHANGE INFORMATION (CONTINUED)

(f) 20 Largest Shareholders — Ordinary Shares as at 15 September 2011

Holder Name	Balance	%
CRISP HOLDINGS LTD	753,736,667	74.019
MR JOHN WALSTAB	81,488,418	8.002
MR ANDREW MCDONALD	45,856,000	4.503
MR ANDREW MCDONALD & MRS SANDRA MCDONALD <MCDONALD FAMILY S/FUND A/C>	11,129,400	1.093
RAMN PTY LTD <SUPER FUND A/C>	9,266,444	0.910
MR BARRY RAYMOND NELSON & MR BRAD ANDREW NELSON <NELSON SUPER FUND A/C>	8,400,000	0.825
CHICAGO LIMITED	4,642,267	0.456
MR JAMES HEWLETT	4,101,137	0.403
THYATIRA PTY LTD <GODSELL FAMILY A/C>	4,000,000	0.393
MR YU JIE	4,000,000	0.393
MR DONG XIE	3,800,000	0.373
MR ANDREW MCDONALD	3,237,987	0.318
MR JOHN WALSTAB	2,654,166	0.261
BRIGHTEN INVESTMENTS LTD	2,600,000	0.255
PATLIN SECURITIES PTY LIMITED	2,500,000	0.246
MR FRANCESCO CORTELLINO	2,139,213	0.210
MR ANDREW MCDONALD & MRS SANDRA MCDONALD <MCDONALD FAMILY S/F A/C>	2,099,509	0.206
MILRIX PTY LTD <NELSON FAMILY A/C>	1,900,000	0.187
BH SUPER PTY LTD <BARBARA HOLLAND S/FUND A/C>	1,800,100	0.177
MS SZE MAN CHAN	1,741,900	0.171
	951,093,208	93.401

(g) Restricted shares – Fully paid ordinary shares held under escrow

43,514,000 fully paid ordinary shares held under escrow were released on 19 August 2010. No other restricted shares are held.

(h) On-market buy-backs

There is no on-market buy-back currently on place in relation to the securities of the Company.

(i) Stock Exchange Listing

Quotation has been granted for all the ordinary shares of the Company on all Member Exchanges of the Australian Stock Exchange Limited.

MATERIAL DIFFERENCE TO APPENDIX 4E

There are no material differences to the financial statements set out in this report when compared to the information set out in the Company's Appendix 4E preliminary final statement released to the ASX on 31 August 2011.