PLAINS JUSTICE

December 28, 2009

Darrell Nitschke
Executive Director
North Dakota Public Service Commission
600 E. Boulevard Avenue, Dept. 408
Bismarck, ND 58505-0480

Re: Case No. RC-09-032

Dear Mr. Nitschke:

Please find enclosed the original and seven copies of Complainants' Surreply to Motion for Protective Order.

Thank you for your attention to this matter.

Very truly yours,

Paul C. Blackburn

enc

cc: Hon. Al Wahl
Brian Bjella
Illona Jeffcoat-Sacco

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Complainants' Surreply to Motion for Protective Order
Dakota Resource Council
Paul Blackburn, Plains Justice

BEFORE THE PUBLIC SERVICE COMMISSION
OF NORTH DAKOTA

Dakota Resource Council, Neil and Laura Tangen, Myron and Nancy Eberts, and Frank and Lucy Hurt, Complainants, vs. GTLE Dakota Plant 1 LLC Respondent.	))))))))))	**Case No. RC-09-32**

COMPLAINANTS' SURREPLY TO MOTION FOR PROTECTIVE ORDER

Dakota Resource Council, Neil and Laura Tangen, Myron and Nancy Eberts, and Frank and Lucy Hurt, together Complainants, by their attorneys hereby surreply to GTLE Dakota Plant 1 LLC's ("Respondent") REPLY TO COMPLAINANTS' OPPOSITION TO MOTION FOR PROTECTIVE ORDER ("Reply").

This surreply is necessary because Respondent raised for the first time in its Reply a number of arguments to which Complainants have not had an opportunity to respond. Respondent did this because, as described by Complainants in their Response in Opposition to Motion for Protective Order, Respondent failed to provide any meaningful evidence or arguments showing good cause for issuance of a protective order. Thus, Respondent sought to do in its reply what it should have done as part of its original motion. Complainants are entitled to have an opportunity to respond to these new arguments.

Should the Commission not accept this surreply or should Respondent object to it, Complainants reserve the right to move for admission of a surreply to Respondent's Reply.

I. RESPONDENT'S REPLY ASSERTS THAT A DIFFERENT RULE 26(C) "GOOD CAUSE" STANDARD EXISTS BUT FAILS TO DESCRIBE SUCH STANDARD

Rather than respond in substance about the legal standard required to obtain a protective order under N.D.R.Civ.P. 26(c) ("Rule 26(c)") (hereinafter, specific Rules of Civil Procedure are referred to as "Rule"), Respondent merely presents an unsupported assertion that the burden of proof under Rule 26(c) "is not so limited" as the standard described by Complainants in their Response to Motion for Protective Order. Respondent offers utterly no case law or discussion describing a standard different from that described by Complainants. If a party does not provide supporting argument or supportive reasoning or citations to relevant authority, its argument is without merit and it waives the issue. *Riverside Park Condos. Unit Owners Ass'n v. Lucas*, 2005 ND 26, P34, 691 N.W.2d 862, 878. Therefore, before granting a Protective Order, the Commission is required by law to find that Respondent has provided a "compelling reason" for a complete stay of discovery, *TSM Associates v. Tractor Supply Co.*, No. 08-CV-230-JPH-FHM, 2008 U.S. Dist. LEXIS 45784, *2 (N.D. Okla. June 11, 2008), and that Respondent has provided particular and specific demonstrations of fact showing good cause for a protective order, as distinguished from stereotyped and conclusory statements or broad allegations of harm, unsubstantiated by specific examples or articulated reasoning. *United States v. Garrett*, 571 F.2d 1323, 1326, n.3 (5^{th} Cir. 1978).

II. RESPONDENT WRONGLY STATES THAT COMPLAINANTS SEEK TO DELAY DECISIONS ON ALL DISPOSITIVE MOTIONS

Respondent states that Complainants "want to delay the Commission's decision on the Determinative Motions by arguing that it needs time to discover facts that are irrelevant as a matter of law." Respondent's Reply Brief p. 3. This statement is incorrect.

As discussed below and in Complainants' Rule 56(f) Motion, Complainants assert that they seek relevant information, including but not limited to information about Respondent's planned use of their under construction coal "beneficiation" processing plant ("Preparation Plant") to process coal for commercial sale and the Preparation Plant's connections to coal mines, which facts are in Respondent's possession and not available to Complainants or, barring *ex parte* communications, the Commission.

With regard to delay of dispositive motions, Complainants do not seek to delay consideration of Respondent's Rule 12(b) Motion to dismiss, but rather, as discussed in thier Motion to Reschedule Prehearing Conference, Complainants encourage the Commission to make a prompt decision on this motion. Moreover, proceeding with discovery would have no effect on the Commission's schedule for deciding the Rule 12(b) motion, and such decision need not await any discovery action.

With regard to Respondent's Rule 56 Motion for Summary Judgment, Complainants' Rule 56(f) Motion seeks delay or denial of the Motion for Summary Judgment to allow discovery, but Complainants also encourage the Commission to make a prompt decision on their Rule 56(f) Motion, as it must decide the Rule 56(f) Motion before making a final ruling on the motion for summary judgment. Since Complainants have not yet briefed the Commission on the merits of the motion for summary judgment (they have briefed the Commission only the 12(b) Motion to Dismiss), the Commission must afford Complainants an opportunity to oppose the motion for summary judgment on its merits before a Commission ruling on it. Proceeding with discovery would not delay the Commission's decision on the Rule 56(f) Motion. Moreover, Complainants have filed their Motion to Reschedule Prehearing Conference in part to accelerate a decision on the Rule 56(f) Motion.

Thus, Complainants do not "want to delay the Commission's decision on determinative motions," but rather seek a prompt decision on matters of law through a decision on the Rule 12(b) Motion and clarification of the appropriate process through a decision on the Rule 56(f) Motion.

In contrast, Respondent's proposed course of action will delay this proceeding. A complete stay of all discovery would mean that if the Commission denies the 12(b) Motion and grants the Rule 56(f) Motion, then the parties could not proceed with any aspects of discovery until after the Commission makes a decision on the Rule 12(b) Motion and Rule 56(f) Motion, which decision will likely take two to three months. Given that discovery is likely to be contentious, it makes more sense to move ahead with discovery while outstanding motions are pending.

Complainants suggest that discovery proceed at least to the extent of requiring Respondents to present specific objections to discovery and to respond to those discovery requests that it does not deem burdensome, irrelevant, or otherwise objectionable. A complete stay on all discovery is an extreme remedy, especially in light of the protections offered Respondent under normal discovery rules. If the Commission denies the Motion for Protective Order, Respondent would be required to identify its specific discovery objections, which would allow the parties to confer and attempt to resolve discovery disputes, as required by Rule 37(a). After this, Respondent would be in a position to seek protection for specific types of information over which the parties disagree.

As an example of the type of progress that could be made, Complainants suggest that it should be possible to avoid disclosure of much of Respondent's proprietary information about its coal preparation process. Specifically, Respondent claims that "the DRC seeks to discover o

[sic] proprietary information regarding GTLE's beneficiation process . . . ." Complainants anticipate that Respondent would be required to disclose some proprietary information about Preparation Plant's process because such information relates to whether or not the Preparation Plant is a "coal preparation plant" as defined by N.D.A.C. § 69.05.2-01-02. This matter is at issue because Respondent has repeatedly denied that its facility is a "coal preparation plant." Respondent could avoid disclosure of much of this proprietary information by stipulating that its facility is a "coal preparation plant," because then details about the specific nature of Respondent's process would no longer be needed to prove that the Preparation Plant falls within the meaning of N.D.A.C. § 69.05.2-01-02. Since Respondent has already stated that "the definition of coal preparation plant under the surface mining law is so broad as to include virtually any facility which processes coal in any manner," Respondent's Reply to Opposition to Motion to Dismiss p. 3, it would seem reasonable for Respondent to make such stipulation rather continue its repeated denials that its facility is a coal preparation plant as defined by N.D.A.C. § 69.05.2-01-02. Such stipulation would not be determinative of this case, but it would simplify future process.

A complete stay of discovery is unnecessary in these circumstances and the Rules offer Respondent adequate protection through the normal discovery process, including the possibility of a future protective order related to specific types of information. Moreover, as described below, the Commission must deny Respondent's Motion for Protective Order because Respondent has failed to meet its burden of proof under the Rule 26(c) "good cause" standard.

III. RESPONDENT'S REPLY FAILS TO PRESENT "GOOD CAUSE" FOR ISSUANCE OF A STAY ON ALL DISCOVERY PROCEEDINGS

Although not organized, Respondent's Reply presents eight discernable arguments intended to support its Motion for Protective Order. Most of these arguments are premised on its belief that Complainants' claims are without merit. Some present broad allegations of harm and conclusory statements. None of these arguments are substantiated by specific examples that refer to particular discovery requests or evidence of harm that particular requests might do. Essentially, Respondent argues that discovery should not proceed at all because Complainants' claims are completely without merit.

As discussed below, none of the arguments presented by Respondent in its Reply provide a compelling reason why all discovery process should be stayed. Since most of Respondent's arguments in its Reply relate to the merits of Complainants' claims, Complainants respond first to this general argument, and then discuss Respondent's other arguments.

A. Respondent's Reply Does Not Provide Good Cause for a Protective Order Because Respondent Misstates the Law and Mischaracterizes Complainants' Claims Such that Respondent's Arguments Have No Merit

1. Respondent's Assertions of Law Are Incorrect Such that It Has Not Offered a Compelling Reason to Stay Discovery

In its Reply, Respondent argues that Complainants have proffered an "untenable extension of state mining law which cannot be justified or supported by law" such that "it is improbable that the discovery requested by the DRC will raise or address any fact relevant to the question of law before the Commission in the Determinative Motions." Reply pp. 2, 3 & 7. With regard to the law, Respondent has argued that the term "in connection with" must be interpreted so that only coal preparation plants that are owned or controlled by a coal mine owner or operator and that serve only a single mine are subject to regulation. With regard to fact, Respondent states in its Reply that two undisputed facts, (1) that it will process coal from around the world and (2) that it will process coal even though there is no mine in South Heart, lead to the inevitable conclusion that the Commission may not assert jurisdiction over the Preparation Plant. Essentially, Respondent argues that under its narrow interpretation of State Surface Mining Law, N.D.C.C. Chapter 14.1 ("State Mining Law") and the federal Surface Mining Control and Reclamation Act, 30 U.S.C. § 1201 *et seq.* (2009) ("SMCRA"), the aforementioned facts prevent the Commission for asserting jurisdiction over the Coal Preparation Plant such that it is impossible for Complainants to prevail, and that in these circumstances summary judgment is appropriate and good cause exists to prohibit discovery because it is improbable that discovery will lead to other relevant and material facts.

Respondent's arguments on the merits are specious. Complainants' Response in Opposition to Motion to Dismiss provides ample proof that the federal courts have never interpreted SMCRA, and particularly the term "in connection with a surface coal mine," to limit jurisdiction to only those preparation plants serving a single mine and that are operated by the owners of that mine. Such rule does not exist. Instead the language of SMCRA, the courts, and federal regulatory guidance all indicate that implementing agencies are required to apply a broad interpretation of the definition of "surface coal mining operations," including the term "in connection with." Response in Opposition to Motion to Dismiss pp. 15-17, 19-21, 24. Jurisdiction is not dependent on the whether or not a preparation plant is operated by a mine operator, because jurisdiction is based on the type of activity undertaken and not on the statutory definition of "operator" provided in 30 U.S.C. § 1291(13) (2009). *See In Re: Permanent Surface Mining Regulation Litigation*, Civil Action No. 79-11441984, U.S. Dist. LEXIS 15148, *20-21; 21 ERC (BNA) 1193; 14 ELR 20617 (D.D.C. 1984); *In re: Permanent Surface Mining*

Litigation, Civ. No. 79-1144, at 51-53 (D.D.C. May 16, 1980). Jurisdiction is not limited to coal preparation plants that serve only a single mine. Response in Opposition to Motion to Dismiss pp. 20-21.

Complainants have also asserted that the federal courts, IBLA, and OSM, in accordance with the broad scope of SMCRA jurisdiction, have recognized only certain exemptions where a coal preparation plant is deemed to be not "in connection with" a coal mine, specifically preparation plants located at the point of ultimate coal use, at coal transportation providers, and possibly at retail coal distributers. Response in Opposition to Motion to Dismiss pp. 21-22. Further, the federal courts have stated in unambiguous terms that implementing agencies may not limit SMCRA's jurisdictional reach over off-site coal preparation plants in rare circumstances, which would be the result of Respondent's interpretation of SMCRA. Response in Opposition to Motion to Dismiss pp. 23. Complainants assert that the definition of "Surface Coal Mining Operation," which includes the term "in connection with," was written so as to extend jurisdiction to all coal preparation plants that are a part of the coal mining industry, whether such plants are operated as part of a mine or are independent operations that serve multiple mines, which proposition is supported by SMCRA's legislative history and policy purpose, statutory language, federal court and Interior Board of Land Appeals ("IBLA") precedent, and U.S. Office Of Surface Mining ("OSM") guidance. Finally, no statutory provision, regulation, case law, or administrative guidance exists to support the proposition that testing coal in a preparation plant exempts a plant that otherwise conducts regulated activities.

2. Respondent's Arguments for a Protective Order Are Based on a Gross Mischaracterization of Complainants' Claims Such that It Has Not Offered a Compelling Reason to Stay Discovery

In its Reply, Respondent relies heavily on arguments that the issue before the Commission is whether it has jurisdiction over mines from around the world. Reply pp. 2, 3, 7. Respondent's formation of the case arises out of its previous pleadings, in which it has asserted that Complainants argue that the Commission has jurisdiction over mines from around the world, presumably because according to Respondent's incorrect view of the law, a coal preparation plant can only be regulated if it is so closely related to a mine that the same regulatory entity must be in a position to regulate the mine, as well.

Respondent completely ignores Complainants' actual claims that Respondent intends to use the Preparation Plant to process coal for sale into commerce, which actual claims find support in public statements made by Respondent both before and after this case was filed. For example, on or about September 30, 2009, Respondent published its 2009 Annual Report in compliance with Australian law, attached as Exhibit A. With regard to the Preparation Plant in South Heart, this report states:

> This first of its kind plant is a strategic asset which will enable GTL Energy to:
>
> * * *
>
> provide first revenues to the Company through sales of GTL Energy product into the domestic market, and through tolling charges for bulk sample test runs.

Thus, Respondent states that it plans to use the Preparation Plant to process coal for sale into the U.S. domestic market. In its pleadings Respondent has never specifically denied that it intends to use the Preparation Plant to process coal for sale into commerce. Rather, its pleadings have ignored this purpose for the plant and instead have focused exclusively on testing purposes.

It appears that Respondent wishes the Commission to completely ignore Complainants' claim that the Preparation Plant will be used to process coal for sale into commerce and instead focus its jurisdiction decision solely on the testing of coal from distant mines, even though this testing will likely comprise only a relatively small proportion of the coal to be processed at the Preparation Plant.

Evidence that the volume of coal to be processed from distant mines is likely to be proportionately small comes from statements made in numerous recent press articles about Respondent's acquisition of coal from New Zealand. On or about December 6, 2009, Respondent announced that it will test process 500 tons (1 million pounds) of coal from New Zealand. *See, e.g.,* Bismarck Tribune, N.D. Coal-Drying Plant to Test New Zealand Lignite, December 6, 2009, attached at Exhibit B. Five hundred tons of coal is approximately enough coal to fill between four and five standard US railroad coal cars. To Complainants' knowledge, Respondent has not yet identified other definite sources of coal for its Preparation Plant.

Given that Respondent has stated that its Preparation Plant is designed to process up to 300,000 tons of coal per year and has submitted an affidavit stating that it discussed acquiring up to 300,000 tons per year from the Center Mine in North Dakota, then it appears that the Preparation Plant is designed to process up to 300,000 tons of coal per year. In this case, 500 tons represents 0.167% of the maximum annual capacity of the Preparation Plant. Assuming instead that the design capacity of 240,000 tons per year reported in the December 6 Bismarck Tribune article is correct, then 500 tons represents 0.208% of the annual design capacity. In either case, these are very small percentages. Assuming a processing rate of 45 tons per hour, Answer to Amended Complaint, para. 5, then with 500 tons of coal the Preparation Plant could operate at its stated design rate for a total of approximately 10 hours. Assuming a processing rate of 30 tons per hour, 2009 Annual Report p. 7, then with 500 tons of coal the Preparation Plant could operate at its design rate for a total of approximately 17 hours.[1] Thus, Respondent has disclosed, and the Commission and Complainants know the source of coal for only about 0.2% of the coal to be processed by the Preparation Plant this year, or approximately enough for between one and two days of operation at the design capacities alleged by Respondent. Respondent has not disclosed sources of coal for future years.

That the Preparation Plant is not intended to process only coal from distant mines is also apparent given the size of the shipment of New Zealand coal. Assuming that 500 tons is a typical amount needed to test process distant coal, then the Preparation Plant would need to receive 600 shipments of 500 tons each from distant mines each year to operate at a 300,000 ton design capacity. Complainants assert that it is unreasonable to assume that the Preparation Plant will test coals from hundreds of distant mines each year for years on end, which would be the case even if it is assumed for the sake of argument that the Preparation Plant operates at less than half of its design capacity. In contrast, Respondent's prior statements that it intends to process North Dakota coals for sale into commerce are evidence that such processing for sale will be the primary use over the long term for most of the capacity of the Preparation Plant. Yet, Respondent argues that the Commission may not allow discovery to investigate Respondent's avowed plans to process coals for sale into commerce.

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[1] Complainants understand that during start up of the Preparation Plant, the actual processing rate may be less than 45 tons per hour, but asserts that processing rates during start up of operations is not relevant to the Commission's jurisdictional determination. The Commission must base its jurisdictional determination on the intended operations of the plant during normal operations, not operations during start up. Respondent states in its Answer that the Preparation Plant will not process up to 300,000 tons of coal per year and complicates the matter by discussing the hourly rate, but then fails to explain why, if the Preparation Plant cannot process up to 300,000 tons per year it inquired about obtaining up to 300,000 tons of coal per year from the Center Mine. Affidavit of Robert French, April 10, 2009. Now, it appears that Respondent claims the annual design capacity is 240,000 tons. Likewise, Respondent has claimed two different hourly design rates, 45 tons per hour and 30 tons per hour. Such changes in estimates mean that the Commission cannot even be certain about the design capacity for this facility and are all the more reason for discovery into the intended operation of the Preparation Plant.

This information about the New Zealand coal shipment begs the question about what other coals will be processed by Respondent at the Preparation Plant, how much coal will be processed from distant mines, and how much coal from mines will be processed for commercial sale, which questions would be answered through discovery.

Respondent also asserts in its Reply that the legal question before the Commission is "whether State Mining Law extends to mines around the world." Reply p. 7; also Reply p. 2, 7. This mis-formulation of Complainants' claims is derived from statements made in Respondent's Answer to Amended Complaint, in which Respondent states:

> GTLE affirmatively alleges that the claims of the Complainants that state or federal mining law allows the Public Service Commission to assert jurisdiction over any mine located anywhere in the United States or even around the world, is unwarranted under such law and cannot be supported by a good faith argument for an extension or modification of existing law . . . .

Answer to Amended Complaint, para. 23. Complainants deny that they have ever claimed that state or federal mining law allow the Commission to assert jurisdiction over mines located anywhere in the United States or around the world. Respondent's statement in paragraph 23 of its Answer to Amended Complaint contains its own conclusions about the implications of Complainants' claims, which conclusions it then improperly puts into Complainants' mouths.

It appears that Respondent believes that since only preparation plants owned or operated by a coal mine and that serve only a single mine are subject to jurisdiction (which is not the law), that therefore a coal preparation plant could be subject to SMCRA jurisdiction only if the single mine it serves is also subject to SMCRA jurisdiction. Next, Respondent appears to make the sophistic leap that since it intends to process coal from around the world that therefore the Preparation Plant would be subject to SMCRA only if all of the mines that supply it with coal are also subject to SMCRA. From this it appears to reach the illogical conclusion that Complainants must be claiming that all coal mines that supply the Preparation Plant with coal are also subject to SMCRA. It then asserts that Complainants have actually stated this conclusion of Respondent's as a claim. Complainants have never made such claim. Complainants take no ownership of Respondent's tortured logic or its incorrect assumptions of law.

As such, Respondent falsely states to the Commission that Complainants have made a claim that in fact they have not made. Complainants put Respondents to their proof to quote any statement by Complainants that expressly claims that the Commission has jurisdiction over mines located anywhere in the world.

Paragraph VI of the Amended Complaint acknowledges that some of the coal to be processed at the Preparation Plant will come from distant mines for the purpose of testing, but the Amended Complaint does not state that such processing is a basis for jurisdiction. Rather, Complainants state that jurisdiction is based on processing for sale to end users. Specifically, Paragraph XVII of the Amended Complaint states in relevant part:

> The Preparation Plant is intended to process coal from one or more coal mines for sale in interstate commerce to end users. As such, the Preparation Plant's activities will be conducted in connection with one or more coal mines or will result from or be incident to a surface mining activity, such that the Preparation Plant is a "surface coal mining operation" as defined by N.D.C.C. § 38-14.1-02(33) and 30 U.S.C. § 1291(28). As GTL Energy has not obtained a permit from the Commission to construct, operate, or reclaim the Preparation Plant, GTL Energy is in violation of N.D.C.C § 38-14.1-10, N.D.A.C. § 69-05.2-05-01, 30 U.S.C. § 1256, and 30 C.F.R § 773.4 for conducting surface coal mining operations without a permit within North Dakota.

(Emphasis added.) It is clear from this language that Complainants do not base their claim of jurisdiction on the testing of coals from distant mines, but rather base this claim on the processing of coal for sale. Since Complainants do not know the identity of the coal mines that will provide coal to be processed for sale,[2] they cannot be certain of the distance from such mines to the Preparation Plant but believe that it is likely that mines that will provide coal to be processed for sale will be located in North Dakota.

Complainants have also asserted that the Commission has jurisdiction to investigate the Preparation Plant's sources of coal, wherever located, for the purposes of complying with the investigatory requirements of federal law, but such investigation does not mean that the Commission has any regulatory authority over a mine outside the Commission's jurisdiction. Information about processing of coal from distant mines is relevant to an understanding of Respondent's various intended uses of the Preparation Plant.

Jurisdiction here will be based on evidence that the Preparation Plant is intended to process coal for sale into commerce, which evidence includes public statements made by Respondent itself. Complainants have alleged and seek more evidence that Respondent intends to process coal for sale into commerce, as well as evidence related to the geographic, functional, and economic relationships between the Preparation Plant and the mine or mines that will supply coal to be processed for sale. A stay of discovery would frustrate Complainants' efforts to identify information relevant to the Commission's jurisdictional decision and unnecessarily delay this case. Therefore, the Motion for Protective Order must be denied.

3. Discovery Is Required to Complete the SMCRA Jurisdictional Analysis Required by Federal Law, Such that a Stay of Discovery Would Frustrate Federal Law

Given that Respondent intends to operate the Preparation Plant for years and has a North Dakota Air Quality Permit that allows it to operate at its stated design capacity for years,

[2] That Complainants admit that they do not know the identity or location of the mine or mines that will provide the Preparation Plant with coal to be processed for sale does not lead to a logical conclusion that Complainants assert that the Commission has jurisdiction over mines anywhere in the world.

Respondent's disclosure of the source for just 0.2% of the Preparation Plant's annual capacity in a single year provides an entirely inadequate basis for a jurisdictional determination by the Commission. In essence, Respondent urges the Commission to base its jurisdictional determination on Respondent's immediate startup activities and not to investigate – or to allow discovery on – Respondent's planned normal commercial operations in future years.

Respondent's actual plans to acquire coal are unknown by Complainants and, assuming no *ex parte* communications, are also unknown by the Commission. Complainants assert that Respondent has not disclosed the source of any of its coal except for the 500 tons from New Zealand. It is not possible for the Commission to determine whether this Preparation Plant will be operated in connection with a mine for the purposes of SMCRA if it has no hard evidence before it as to the source of approximately 98% of the coal the plant may process during the next year, no information whatsoever about sources of coal in future years, and no evidence related to the disposition of any processed coal. If the Commission has no knowledge about the mines that will supply the Preparation Plant with almost all of its coal, it is not possible for the Commission to determine the functional relationships between the Preparation Plant and the coal mines that supply it. If the Commission cannot analyze these functional relationships, it cannot comply with the jurisdictional analysis required by federal law, such that any decision the Commission renders would be inadequate under federal law and therefore be subject to reversal. The Commission must allow discovery sufficient to provide it with access to information required for a jurisdictional decision under SMCRA.

Respondent attempts to convince the Commission that it can make a jurisdictional determination despite a lack of knowledge about the coal mines that will provide coal to the Preparation Plant, and that the Commission can make a finding of no jurisdiction merely because some of the coal to be processed would come from overseas for the purpose of testing, all the while ignoring Respondent's own statements that it intends to process coal for sale. The federal courts have made clear that regulating entities must examine detailed facts about the relationship between a coal preparation plant and its actual or intended sources of coal. This the Commission has not done.

The discovery propounded by Complainants is intended to identify the exact types of facts that SMCRA requires the Commission to investigate, specifically facts about the relationships, on the one hand, between preparation plants and coal mines, and on the other hand, between preparation plants and coal end users, coal transporters, and coal retail distributors, as well as facts related to whether a facility is a coal preparation plant as defined by law and such plant's commercial purposes. A failure by the Commission to allow any discovery or to conduct a meaningful investigation into actual facts about the Preparation Plant and Respondent's plans for it would result in a Commission final decision based only on unproven self-serving statements of Respondent. Such decision would violate federal and state law.

Since Complainants' claims are meritorious and essential relevant facts have not been discovered, Respondent has failed to show good cause for a protective order, such that its Motion for Protective Order must be denied.

B. The First Discovery Request Is Not "Intrusive in the Extreme"

Respondent argues that Complainants' discovery requests are "intrusive in the extreme." Respondent's Reply p. 2, yet presents no evidence whatsoever that this is the case, offers no case law that justifies a grant of a protective order based on extreme intrusiveness, and also fails to identify and describe how any particular discovery request is "intrusive in the extreme." Complainants note that the Rules of Civil Procedure do not recognize that intrusiveness is grounds for objection, much less a protective order. See Rule 26. All discovery is intrusive. The discovery rules protect parties from harm by allowing confidential information to be disclosed pursuant to confidentiality agreements or protective order tailored to particular types of information, which types of protection Respondent has not sought. With regard to the word "extreme," it may be that Respondent has objections about relevancy, materiality, or confidentiality, which objections are discussed below, but otherwise it is not possible to understand anything particular about Respondent's "intrusive in the extreme" objection. In any case, the Commission may not base its decision about whether or not to issue a protective order on stereotyped statements such as "intrusive in the extreme."

C. The First Discovery Request Seeks Only Relevant Facts

Respondent argues that Complainants seek irrelevant facts. Specifically, Respondent states:

- the discovery requests "go well beyond facts related to its allegation that the Reclamation Director of the Public Service Commission erred in deciding that GTLE's coal beneficiation facility did not constitute a mining operation and therefore did not need a mining permit," Respondents Reply p. 2;
- Complainants "seek[] volumes of information totally unrelated to the legal question presented by state mining law and the 'in connection with standard;" Respondent's Reply p. 3; and
- "DRC wants to delay the Commission's decision on the Determinative Motions by arguing that it needs time to discover facts that are irrelevant as a matter of law." Respondent's Reply p. 3.

Such objections relate to the relevancy of information sought.

Respondent fails to identify any particular discovery request that seeks irrelevant information or to describe how the requests seek "volumes of information totally unrelated to the 'in connection with' standard." It makes only conclusory statements about relevancy unsubstantiated by specific examples and appears to allege that the legal standard for jurisdiction makes all of Complainants' discovery requests irrelevant without explaining how any particular discovery request is irrelevant to the jurisdictional standard.

A review of the First Discovery Request shows that it seeks information generally related to (1) whether the Preparation Plant processes coal in a manner that make it a facility as defined by N.D.A.C. § 69.05.2-01-02; (2) the geographic, functional, and economic relationships between the Preparation Plant and the mine or mines that will provide the Preparation Plant with coal; (3) the Preparation Plant's relationship to end users of coal and coal transportation providers; and (4) the Preparation Plant's commercial purposes, all of which information the federal courts have made relevant to whether or not the Preparation Plant is subject to regulation by the State Surface Mining Law and SMCRA.

To the extent that Respondent implies that only ultimate facts or only facts alleged in the complaint are discoverable, the scope of discovery includes more than these limited sets of facts. Rule 26 states:

> Parties may obtain discovery regarding any matter, not privileged, which is relevant to the subject matter involved in the pending action, whether it relates to the claim or defense of the party seeking discovery or to the claim or defense of any other party, including the existence, description, nature, custody, condition, and location of any books, documents, or other tangible things and the identity and location of persons having knowledge of any discoverable matter. It is not ground for objection that the information sought will be inadmissible at the trial if the information sought appears reasonably calculated to lead to the discovery of admissible evidence.

All of Complainants' discovery falls within the foregoing bounds. To the extent that Respondent believes that certain requests do not, it should present its objections in detail. Since Respondent has not specified how any of the discovery requests are irrelevant, but rather has relied on broad allegations of irrelevancy, broad allegations of harm, conclusory statements, and plain misstatements of the question facing the Commission, it has failed to prove good cause for a protective order.

Also, Respondent cites *Perry Center, Inc. vs. Heitkamp,* 576 N.W.2d 505, 509 (N.D. 1998) for the proposition that a Rule 56(f) motion is not appropriate where the information sought by additional discovery is not related to the motion for summary judgment, which is essentially an argument related to relevancy. In *Perry*, the Plaintiff sought a continuance because it had not received answers to particular interrogatories. These interrogatories were delivered to plaintiff before the hearing on the summary judgment motion, such that the evidence was available to the court before its decision. Further, the relevant evidence in the interrogatories related to damages, and not to liability which was the subject of the motion for summary judgment. Therefore, not only was the Rule 56(f) motion not needed, it did not relate to the issue before the court.

It is difficult to see how the *Perry* decision can be analogized to the present matter. Respondent merely argues that because the matter at issue is only whether state mining law extends to mines around the world, that therefore the Rule 56(f) motion is not related to the subject matter of the motion for summary judgment. As previously discussed, Respondent misstates Complainants' claims and the law. Further, the Rule 56(f) motion presents evidence that Complainants seek information about Respondent's self-proclaimed intentions to process coal for commercial sale, which evidence is central to the matter at hand and is not available to

Complainants. Further, Respondent has not requested protection from disclosure of a particular discovery request, but rather has argued that all discovery should be stayed. Since the Perry decision involves facts that are not analogous to this situation and the facts sought by Complainants are the subject matter of the Motion for Summary Judgment, Respondent has not shown good cause for a stay of all discovery process.

Respondent cites *Hopfauf vs. Hieb,* 712 N.W.2d 333, 335 (N.D. 2006), for the proposition that facts sought must be relevant, but this decision does not discuss how the facts sought by that Rule 56(f) motion were not relevant, so this case stands only for the proposition that discovery must seek relevant facts. The Supreme Court did, however, note that the critical facts there were not in dispute, that the movant had evidence sufficient to provide affidavits of fact for consideration in the motion for summary judgment, and the district court accepted the movant's interpretation of the few non-critical facts that were in dispute. Thus, the *Hopfauf* case does not offer any factual analogy useful here.

D. Complainants Seek Information about Material Facts

Respondent has argued that discovery will not disclose material facts on an essential element of Complainants' case. Respondents Reply Brief, p. 4.

Complainants disagree. Complainants have asserted that numerous material facts essential to a SMCRA jurisdictional determination have not been disclosed by Respondent, such that discovery will provide information relevant to this proceeding. For example, Complainants have asserted that identification of the actual sources of coal for Respondent's intended commercial operation of the Preparation Plant are material to a determination of jurisdiction under federal law, that such facts are essential to a determination of jurisdiction, and that such facts are not know to Complainants or, they understand, the Commission, such that discovery is needed. Also, Complainants have asserted that identification of the end users of the coal to be processed by the Preparation Plant is material to a determination of jurisdiction under federal law, that such information is essential to a determination of jurisdiction, that Respondent has based its defense in part on claims that it is operated in connection with an end user, and that such facts are not known to Complainants or the Commission. Complainants have also asserted that information about Respondent's intent to use the Preparation Plant to process coal is material and essential to a jurisdictional determination. Other material facts are also not known to Complainants or the Commission. Complainants' Rule 56(f) Motion and Response to Motion to Dismiss clarify the scope of material information that the Commission must discover and consider. Thus, material facts have not been disclosed by Respondent and Complainants are entitled to conduct discovery.

Respondent cites *Continental Casualty Company vs. Kinsey*, 513 N.W.2d 66, 69 (N.D. 1994), for the proposition that summary judgment is appropriate where resolution of a factual dispute will not change the result. Rather than as stated by Respondent, it appears that the primary reason that the Supreme Court upheld the trial court ruling denying the Rule 56(f) motion there was because the movant had had considerable time to conduct discovery. However, the Supreme Court did not describe the discovery timeline, so it is not possible to make factual analogies from the face of this decision. Further, in the *Continental* decision, an insured claimed that an insurance company should have settled a fraud case and that its failure to settle resulted in a higher judgment against the insured. The court found that it was undisputed that the insured had not demanded that the insurance company settle and that the insurance company had a right to reimbursement in matters related to intentional wrongdoing, such that even if the case were settled the insured was required to pay the judgment. Thus, the *Continental* court found that, the movant had had considerable time for discovery, the relevant facts were not in dispute, and the decision was based on a matter of law.

Here, as described above and in Complainants' Motion to Reschedule a Prehearing Conference, Complainants have not had sufficient time or opportunity to conduct discovery and the issues relate to matters of both fact and law that are in dispute, such that the *Continental* decision does not offer any particular guidance to the Commission. Therefore, Respondent has not shown good cause for a stay of discovery.

E. This Case May Not Be Decided as a Matter of Law Because Essential Facts Are in Contention and/or Unknown

Respondent generally asserts that this case may be determined as a matter of law, in that this action can be dismissed based solely on the meaning of the State Mining Law and SMCRA. Respondent cites *Centre Insurance Company vs. Blake,* 370 F.Supp.2nd 951, 954 (D.N.D. 2005), *Nord* v. *Kelly*, 520 F.3rd 848, 852 (8th Cir. 2008), *Johnson v. United States*, 534 F.3rd 958, 965 (8th Cir. 2008), and *Lucas v. Riverside Park Condominiums Unit Owners Association*, Civil No. 08-07-C-913, 2007 Westlaw 6560994 (N.D. Dist. 2007). Respondent does not discuss the facts of these cases in any detail such that they are cited for bare legal propositions alone.

Complainants first note that to the extent that the Commission seeks to determine whether this case may be decided as a matter of law, such decision would properly be rendered through consideration of a 12(b) motion to dismiss. Complainants Response in Opposition to Motion to Dismiss fully briefs the Commission on the meaning of relevant federal and state laws.

None of the cases cited by Respondent are analogous to the situation here, such that while they state legal standards, they do not support a stay of discovery.

The *Centre Insurance* decision turned on whether a claimant resided at an insured property that he owned as a landlord. It was not disputed that the claimant did not live at the property, such that the outcome of this case turned solely on the meaning of the term "reside." The court found that this term was not ambiguous such that claimant was not entitled to coverage. This decision is inapposite to the decision facing the Commission because the analysis facing the court in *Centre Insurance* case was simple and the facts in the case were also simple and not in dispute such that the decision rested on the interpretation of single word. The Claimant was not covered because he did not reside at the insured property. No greater analysis was needed. Here, the analysis facing the Commission includes analysis of the geographic, functional, and economic relationships between the Preparation Plant and the mines that will provide it with coal for processing for sale. Further, many facts relevant to this analysis are in dispute. Whereas the analysis and facts in *Centre Insurance* were very simple, here they are complex and in dispute.

The *Nord* decision is also inapposite. There the question revolved around whether a tribal court had jurisdiction over an individual who was not tribal members. There was no dispute of facts about the status of the non-tribal members. Thus, there were no outstanding factual questions and the only issues resolved by the court related to the reach of a tribal court under federal law. The factual analysis amounted to determination of whether an individual was or was not a member of the tribe, which was not in dispute. The *Nord* decision stands for the proposition that cases that turn only on a question of law and have no dispute over facts may be resolved by summary judgment. In the present action, both the meaning of federal law and the facts at issue are in dispute. Further, the factual analysis that faces the Commission is complex. Thus, the *Nord* decision does not offer any useful analogy to the present case.

The *Johnson* decision concerned whether an injured party could present a claim against the United States under the Federal Tort Claims Act "for torts committed by 'any employee of the Government while acting within the scope of his office or employment . . . .' 28 U.S.C. § 1346(b). Specifically, the Plaintiff claimed that a federal corrections officer had wrongfully arrested him and mistreated him after arrest. The case turned on whether the correctional officer had legal authority to arrest Plaintiff for a traffic violation far from the facility at which the officer worked. The court found that the officer was clearly acting outside the scope of his employment such that the United States was not liable. Thus, the facts related to the officer's employment, the location of the traffic violation, and the fact that the violation was not related to a correctional matter were clear, such that no more jurisdictional facts needed to be discovered. In contrast, in the present case the legal analysis is more complex and the jurisdictional facts are almost entirely unknown to Complainants and the Commission, specifically facts related to Respondent's intentions to use the Preparation Plant to process coal for commercial sale.

On appeal of a District Court case cited by Respondent, the Supreme Court in *Riverside Park*, 2005 ND 26; 691 N.W.2d 862, described the standard for summary judgment, but this decision does not have anything to do with a motion under Rule 56(f) or whether discovery should be cut off. Rather, it demonstrates that a motion for summary judgment must be based on a review of relevant facts presented by both parties. There the facts related to whether or not a dog was kept in a condominium and competing facts were presented by the parties for consideration during summary judgment.

Complainants assert that application of SMCRA jurisdictional rules requires a fact-intensive analysis, which facts are in contention and not before the Commission. As such, this matter may not be decided solely on the meaning of law. Should the Commission rule that

SMCRA jurisdiction extends only to preparation plants that are both owned or operated by a mine owner and serve a single mine, as argued by Respondent, such decision would be in violation of law. Also, should the Commission base its decision on facts that do not include identification of the sources of coal to be processed by the Preparation Plant, such decision would violate federal law.

F. Material and Relevant Facts Are Not Within Complainants' Knowledge, Nor May They Obtain Such Facts Except Through Discovery

Respondent argues that since the this case can be decided based on facts that are within Complainants' knowledge that therefore Complainants have access to all relevant facts and discovery is not needed. Respondent's Reply Brief, p. 5. Although Respondent does not specifically describe what facts Complainants have that might make all discovery unnecessary, it appears that Respondent argues that the only facts needed to decide this case include: (1) the Preparation Plant will process coals from around the world; and (2) Respondent intends to operate the Preparation Plant even though there is no mine at South Heart.

As previously discussed, such information represents a wholly inadequate basis upon which to determine jurisdiction over Respondent's Preparation Plant, because it does not include information required to be analyzed under the federal jurisdictional analysis described by the courts and the Interior Board of Land Appeals. These two facts noted by Respondent comprise only a very small part of the body of facts relevant to a SMCRA jurisdictional determination and are not themselves determinative. The Commission must investigate Respondent's intention to process coal for sale into commerce and not focus exclusively on operations related to testing coals from around the world. A description of the types of facts that are relevant to this case are described in Complainants' Rule 56(f) Motion, its Response to Motion to Dismiss, and its First Discovery Request.

The types of information sought by Complainants are solely within the control of Respondent, and according to Respondent, such information is confidential such that Complainants may not legally acquire such information except through discovery. Moreover, in its 2009 Annual Report Respondent acknowledged that it has withheld information about its future operations from public knowledge:

> Further information about likely developments in the operations of the consolidated entity and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice . . . .

It is clear from Respondent's statements that it intends to use the Preparation Plant to process coal for sale, but has withheld information about its future plans. Since Respondent considers information about its coal preparation process and future plans to be confidential, it is not possible for Complainants to obtain information about Respondent's plans to process coal for sale except through discovery.

Thus, Respondent's argument in its Reply that Complainants have access to all the information they need has no foundation and does not provide good cause for a protective order.

G. Complainants' Have Not Relied on "Unsupported Conclusory Allegations

Respondent cites *Luallin v. Koehler*, 644 N.W.2d 591, 600 (N.D. 2002), for the proposition that Complainants may not rely in their Rule 56(f) Motion on unsupported conclusory allegations. In the *Luallin* case, the plaintiffs alleged that an oil well operator had defrauded them in collusion with an investment group. The investment group was the subject of a successful 1997 U.S. Securities and Exchange Commission enforcement action, which enforcement did not find that the operator had committed fraud. In 2001, the plaintiffs filed a fraud claim against the oil well operator in the North Dakota courts. The district court denied plaintiff's Rule 56(f) motion because they could not explain how the defendant had wronged them. The Supreme Court upheld this decision because the Plaintiffs had been aware of the possibility of fraud since 1997 and yet could not present any evidence of fraud. Thus, the court was satisfied that a lack of time for discovery was not the problem. The court also noted that given the prior federal proceeding, that plaintiffs should have been able to explain how the defendant had defrauded them. Also, the Supreme Court held the plaintiffs to a higher standard of proof because they had alleged fraud, which must be proved by clear and convincing evidence. The facts in the *Luallin* case are unusual in that a parallel federal investigation had been ongoing for some time that had not found evidence of fraud by the defendant, and also because of the high burden of proof in fraud cases. These facts are not in any way analogous to those in the present action, such that the outcome of the *Luallin* decision has no bearing on the present matter. In the present action, Complainants do not support their Rule 56(f) based on unsupported conclusory allegations, but instead relies on public statements made by Respondent itself. Further, Complainants have not had sufficient time or opportunity to develop evidence necessary to prove their case. Therefore, Respondent's reliance on the *Luallin* decision does not provide good cause to stay discovery.

H. Complainants Have Provided Facts Sufficient to Justify a Grant of its Rule 56(f) Motion

Respondent argues that Complainants must present "facts essential to justify" a continuance, and cites *Riemers* v. *Grand Forks Herald,* 688 N.W.2d 167, 172 (N.D. 2004), for this proposition. Reply p. 5. Respondent does not provide any detailed discussion about how

Complainants might have failed to present such facts, but merely accuses Complainants of conducting a “fishing expedition.”

The *Riemers* decision concerned a libel case involving the reporting by a newspaper of a court decision. The trial court found that the newspaper had accurately reported a court decision and held that the plaintiff failed to present any evidence of actual malice such that a qualified privilege applied as a matter of law. Even though the plaintiff did not file a Rule 56(f) motion, the Supreme Court considered whether or not discovery was required and found that the plaintiff had not provided “facts essential to justify” a continuance. Thus, the Supreme Court upheld the trial court’s decision to not allow more discovery because it appeared that the plaintiff did not raise a genuine issue of fact related to actual malice. Also, this case was not decided in the context of a Rule 56(f) motion, but rather the court analogized to Rule 56(f) requirements.

Respondent argues that Complainants also have not shown actual facts to support their claim. As discussed above and in prior pleadings, Complainants have alleged facts related to, among other things, Respondent’s intended use of the Preparation Plant to process coal for sale, and have noted that the Commission does not have before it evidence sufficient to meet a jurisdictional analysis under SMCRA for such regulated activities. Therefore, the facts before the Commission show that Complainants have presented sufficient evidence to justify the allegations in their Amended Complaint and Rule 56(f) Motion. Respondent’s claim that Complainants are conducting a “fishing expedition” is not supported by any evidence or particular argument and as such is merely a stereotyped and conclusory statement that cannot justify grant of a protective order. As such, Respondent has failed to prove good cause for a stay of discovery.

CONCLUSION

For the foregoing reasons, Respondent's Motion for Protective Order must be denied as a matter or law and the Commission should allow Complainants' to proceed with discovery.

Respectfully submitted,

PLAINS JUSTICE

Dated this 28th day of December, 2009.

By: Paul Blackburn (ID 06501)
Plains Justice
P.O. Box 251
Vermillion, SD 57069
Phone: 605-675-9268
Fax: (866) 484-2373
Attorneys for Complainants

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing **COMPLAINANTS' SURREPLY TO MOTION FOR PROTECTIVE ORDER** was on December 28, 2009 mailed to the following:

Brian Bjella
Crowley Fleck, PLLP
P.O. Box 2798
Bismarck, ND 58502

With courtesy copies emailed to:

Al Wahl
Administrative Law Judge
138 East Edmonton Drive
Bismarck, ND 58503-0384

Illona Jeffcoat-Sacco
ND Public Service Commission
600 E Boulevard Avenue, Dept. 408
Bismarck, ND 58505

Paul C. Blackburn
Plains Justice

Complainants’ Exhibits

COMPLAINANTS’ SURREPLY TO RESPONDENT’S REPLY TO COMPLAINANTS’ OPPOSITION TO MOTION FOR PROTECTIVE ORDER

EXHIBIT A

Australian Securities & Investments Commission

Electronic Lodgement

Document No. **7E2512042**

Lodgement date/time: 28-10-2009 12:15:51
Reference Id: 79254506

Form 388
Corporations Act 2001
294, 295, 298-300, 307, 308, 319, 321, 322
Corporations Regulations
1.0.08

Copy of financial statements and reports

Company details

Company name
GTL ENERGY LTD

ACN
094 664 909

Lodgement details

Registered agent number
12132

Registered agent name
KENNEDY & CO

Reason for lodgement of statement and reports

A public company or a disclosing entity which is not a registered scheme or prescribed interest undertaking

Dates on which financial year ends

Financial year end date
30-06-2009

Auditor's report

Were the financial statements audited?
Yes

Reasons for the auditor not being satisfied as to the matters referred to in s307?
No

Details of the deficiency, failure or shortcoming concerning any matter referred to in s307?
No

Details of current auditor or auditors

Current auditor

Date of appointment **30-04-2002**

Name of auditor
GRANT THORNTON

Address
67 GREENHILL ROAD
WAYVILLE SA 5034

Certification

I certify that the attached documents are a true copy of the original reports required to be lodged under section 319 of the Corporations Act 2001.
Yes

Signature

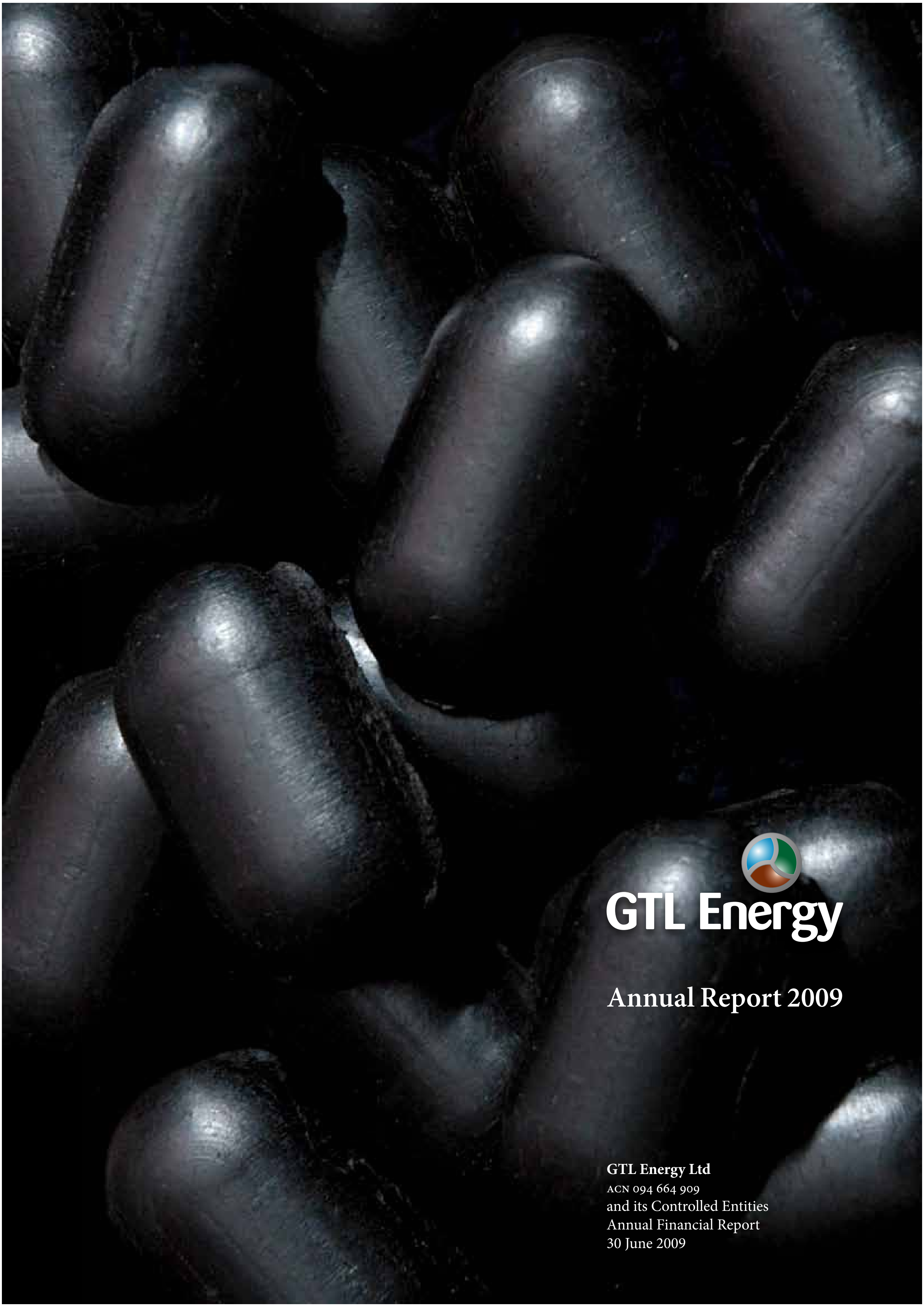
Select the capacity in which you are lodging the form
Agent

I certify that the information in this form is true and complete and that I am lodging these reports as, or on behalf of, the company.
Yes

Authentication

This form has been authenticated by
Name KENNEDY & CO
This form has been submitted by
Name Stephanie CALIPARI
Date 28-10-2009

For help or more information
Telephone 1300 300 630
Email info.enquiries@asic.gov.au
Web www.asic.gov.au



GTL Energy

Annual Report 2009

GTL Energy Ltd
ACN 094 664 909
and its Controlled Entities
Annual Financial Report
30 June 2009

Corporate Directory

Directors

R M Kennedy (Chairman)
R R French (Chief Executive Officer)
N J Smart (Executive Director)
R G Nelson
D L Yakobson

Management

B A Williams (Chief Financial Officer)
S W Hovey (US Operations Manager)

Company Secretaries

A M Evans
D S Cosentino

Registered Office

140 Greenhill Road
Unley South Australia 5061, Australia
Phone: +61 (0)8 8373 5617
Fax: +61 (0)8 8373 5917
Web: www.gtlenergy.com.au

Professional Advisers

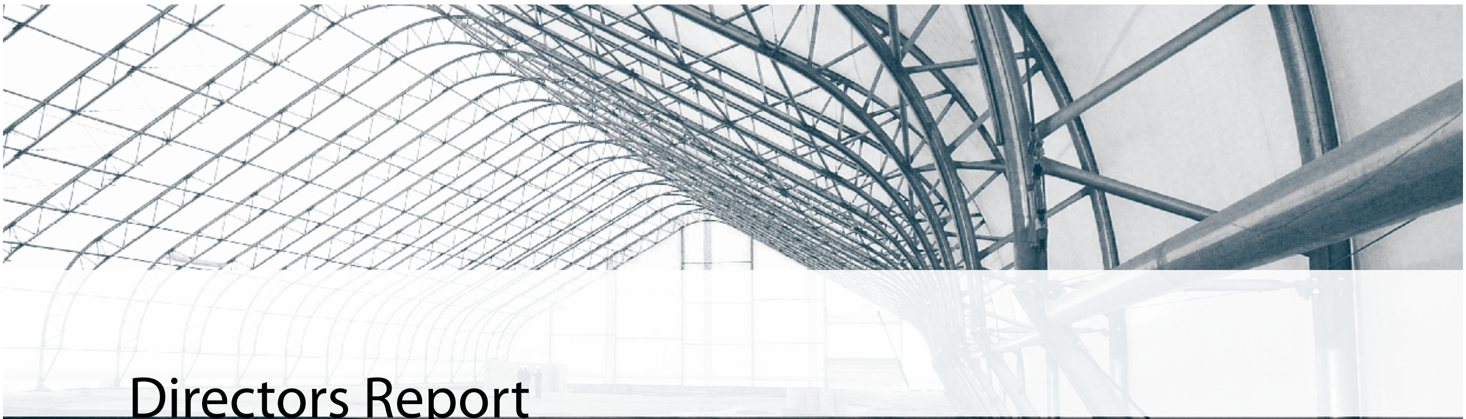
DMAW Lawyers (AUSTRALIA)
Jones & Keller PC, Lawyers (USA)
Holland & Hart LLP, Lawyers (USA)
Crowley Fleck PLLP, Lawyers (USA)
Hardy Maus Nordensberg, Lawyers (USA)
Sheridan Ross, Lawyers (USA)
Duncan Cotterill (NEW ZEALAND)
Kennedy & Co, Chartered Accountants (AUSTRALIA)
Grant Thornton, Accountants (NEW ZEALAND)
Grant Thornton LLP, Accountants (USA)
Grant Thornton South Australian Partnership, Auditors and Advisors (AUSTRALIA)
Hazen Research Inc, Process Design Engineers (USA)
Taggart Global LLC, Design and Construct Engineers (USA)

About GTL Energy Ltd

GTL Energy Ltd (GTL Energy or Company) was formed in Adelaide, South Australia in 2000 to initially investigate coal-to-gas and gas-to-liquids technology for a specific project in Australia using low rank coal, which led it to research and develop process technologies to convert low grade coal into higher rank fuel for cleaner, more efficient power generation, gasification and liquefaction.

Low rank coal comprises sub-bituminous coal, lignite and brown coal, all of which contain substantial amounts of water (20% to 70% inherent moisture by weight). Due to its high moisture content, low rank coal diminishes power plant efficiency and accordingly creates more emissions per unit of energy produced.

The primary objective of GTL Energy's technology is to upgrade low rank coal by removing a significant amount of excess water, thereby raising the thermal value, reducing emissions, improving the transportation and handling characteristics and increasing the market value of the fuel.



Directors Report

For the year ended 30 June 2009

The directors present their report for GTL Energy Limited ("the Company", or "GTL Energy") and consolidated entities ("Group"), for the year ended 30 June 2009.

Directors

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

Robert Michael Kennedy
ASAIT, Grad Dip (Systems Analysis), FCA, ACIS, Life Member AIM, FAICD

Non-Executive Chairman – Board member since 2000.
Robert is a chartered accountant and a consultant to Kennedy & Co, Chartered Accountants, a firm he founded. Robert brings to the Board his expertise in finance and management consultancy and extensive experience as chairman and non-executive director of a range of listed public companies including in the resources sector. He is currently chairman of Beach Petroleum Ltd (since 1995), a director of Beach Petroleum Ltd (since 1991), Ramelius Resources Limited (since 1995), Flinders Mines Limited (since 2001), Maximus Resources Limited (since 2004), Eromanga Uranium Limited (since 2006), Monax Mining Ltd (since 2004) and is also a director of Marmota Energy Limited (2007). His special responsibilities include chairmanship of the audit committee and membership of the remuneration committee.

Robert Rex French
BSc, MSc (Geol.), MA (Econ.), Society of Mining Engineers, American Institute of Mining, Metallurgical and Petroleum Engineers, The Scientific Research Society (Emeritus)

Chief Executive Officer – Board member since 2001.
Bob has more than forty-seven years experience in mining, oil and gas organisations. He has formerly held executive positions as director of South Texas Drilling and Exploration Inc. (AMEX), managing director of Delhi Minerals Ltd. and Vice President (Mining), Stonehenge Corporation. He also served with the US Bureau of Mines and Texaco, Inc. He has published professional articles in several countries and is co-inventor of coal beneficiation patents.

Reginald George Nelson
BSc, FAusIMM, FAICD, Life Member Society of Exploration Geophysicists

Non-Executive Director – Board member since 2000.
Reg is an exploration geophysicist with thirty-nine years experience in the minerals and petroleum industries. He is currently managing director of Beach Petroleum Ltd (an ASX 200 company) and has been a director since 1992. He is past chairman of the Australian Petroleum Production and Exploration Association Council and has wide experience in technical, corporate and government affairs. He is also a director of Monax Mining Limited (since 2004), Ramelius Resources Limited (since 1995) and Marmota Energy Limited (since 2006). His special responsibilities include chairmanship of the remuneration committee and membership of the audit committee.

Dennis Lubin Yakobson
BSc (Civil Engineering), MBA

Non-Executive Director – Board member since 2001.
Dennis holds a Bachelor of Science degree in Civil Engineering and a Masters Degree in Business Administration. Following executive management positions with several public companies in natural resources, in 1981, Dennis was one of the founders of Rentech, Inc. Rentech is currently developing commercial scale projects utilising its patented technology for the conversion of carbon bearing materials ranging from natural gas, coal and biomass to clean burning bio-degradable fuels and speciality chemicals.
He served as President, CEO and Chairman of the Board of Rentech starting in 1983. After retiring in 2005 Dennis still serves as Chairman of the Board of Rentech. Dennis is the sole inventor or co-inventor on fifteen issued patents and has several additional ones pending. His special responsibilities include membership of the remuneration committee.

Nicholas John Smart

Executive Director – Board member since 2001.
Nick has held positions as a general manager overseas and Australia. Previously a full Associate Member of the Sydney Futures Exchange and client adviser with a national share broking firm, with experience in the corporate arena including capital raising. Other experience includes start up companies in technology development including commercialisation of the Synroc process for safe storage of high level nuclear waste and controlled temperature and atmosphere transport systems. He is an alternate director for Maximus Resources Limited (since May 2005).

Directors Report
continued

Directors' meetings

The number of directors' meetings and number of meetings attended by each of the directors of the Company during the financial year are:

Director	Board Meetings	
	A	B
R M Kennedy	8	8
R R French	8	8
R G Nelson	7	8
D L Yakobson	8	8
N J Smart	8	8

A – Number of meetings attended
B – Number of meetings held during the time the director held office during the year

Additionally, R M Kennedy, R R French, R G Nelson, D L Yakobson, N J Smart were party to 4 circular resolutions which are deemed to be director's meetings.

R M Kennedy, R G Nelson and D L Yakobson attended 3 Remuneration Committee Meetings during the year and R M Kennedy and R G Nelson attended 1 Audit Committee Meeting.

Company Secretary

The following persons held the position of Company Secretary at the end of the financial year:

Alison Mireille Evans
LLB, B.A.
Appointed company secretary on 2 October 2007. A lawyer with extensive corporate/commercial law experience in particular in energy and resources. Alison is also the Company's in-house legal counsel.

Domenico Salvatore Cosentino
B.Ed., B.A.(Acc), MBA.,CA
Appointed company secretary on 7 October 2003. He is a chartered accountant and partner of Kennedy & Co.

Chief Financial Officer

The following person held the position of Chief Financial Officer at the end of the financial year:

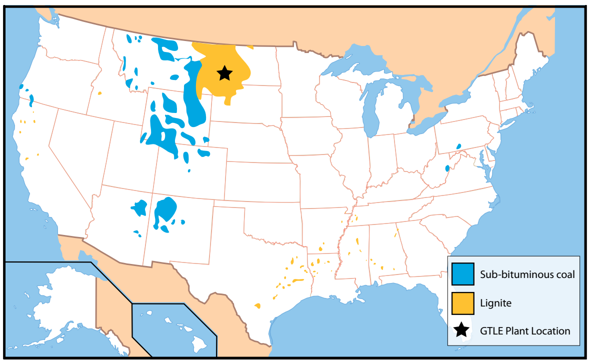
Blake Alexander Williams
B.Comm., CA, Grad Dip Forensic Accounting
Appointed CFO on 26 February 2007. He is a chartered accountant with a forensic accounting and corporate finance background. Blake has been advising GTL Energy since 2003.

Principal Activities

The principal activity of the consolidated entity has been the development and commercialisation of methods to upgrade low rank coal by removing a significant amount of excess water, thereby raising the calorific value, reducing emissions, improving the transportation and handling characteristics and increasing the market value of the fuel.

GTL Energy will progress from a technology development company, to a technology deployment company with the near completion of its commercial scale demonstration plant in North Dakota, USA.

There were no significant changes in the nature of the activities of the consolidated entity during the year.



GTL Energy Commercial Scale Plant Location

Review and Results of Operations

The consolidated net loss after income tax was $2,607,504. The Group holds the majority of its cash assets in US dollars and incurs the majority of its expenses in US dollars therefore, the Group has adopted the US dollar currency as its functional and reporting currency. In 2009, the net loss includes an unrealised exchange rate loss of $48,103. In 2008 the net loss included an unrealised exchange rate gain of $67,753.

During 2009, the Group has continued to optimise and commercialise its proprietary process to upgrade low rank coals ("GTLE Process"). This has involved the construction of a commercial scale demonstration plant and entering into further agreements for future deployment of the technology.

The Company owns and operates a pilot plant at Hazen Research Inc in Colorado, USA. The pilot plant has been expanded during the year to incorporate commercial scale (>10 ton per hour) key coal processing equipment. The pilot plant is instrumented to enable GTL Energy to record key data for each unique coal sample. In particular, the Company has collected important data regarding the optimal settings for strong and stable briquette production and the energy consumption of the GTLE Process. Continuous bulk sample test programs were conducted on coals from Indonesia, New Zealand and North America.

In October 2008, GTL Energy commenced construction of its first commercial scale plant ("Dakota Plant"), located in western North Dakota on land leased from Great Northern Project Development LP ("GNPD").

Despite experiencing a winter of record snow falls in North Dakota, followed by extreme flooding, GTL Energy was able to progress with construction. The Dakota Plant is on track for practical completion in October 2009 which will be followed by commissioning.

At full capacity, the plant is designed to process approximately 250,000 tons per annum of briquette product. The Dakota Plant is a full scale commercial line. Larger capacity plants (eg 1 million tons per annum plus) can be built by installing multiple modules of the Dakota Plant. Accordingly, any scale up risk in the technology following completion and successful operation of the Dakota Plant will be minimal.

This first of its kind plant is a strategic asset which will enable GTL Energy to:

- provide proof of concept of the process at commercial scale;
- process bulk samples of low rank coal for potential users of the technology from around the world;
- provide proof of concept that large volumes of GTL Energy product can be transported, stockpiled and handled without the problems generally associated with dried coal (eg dustiness, propensity to absorb moisture and propensity to spontaneously combust);
- provide proof of concept around the combustion characteristics of the GTL Energy product for a range of coals;
- collect the necessary data to provide process and product guarantees to support deployment of the technology under licence;
- provide proof and support of the capital and operating costs of deployment of the GTL Energy technology, to support feasibility studies for future plants;
- provide first revenues to the Company through sales of GTL Energy product into the domestic market, and through tolling charges for bulk sample test runs.

In June 2009, the Company received an Air Permit (Permit to Construct) from the North Dakota Department of Health. In issuing the Air Permit, the North Dakota Department of Health conducted a thorough analysis of the air emissions from the GTL Energy Dakota Plant and deemed the plant to be a minor source which is "installing the best controls available". The GTLE Process uses low temperature, which means that no toxins or volatile organic compounds are released from the coal during upgrading. This unique feature may provide the

Directors Report
continued

Company with strategic advantages over its competitors, in particular when complying with permitting requirements for larger capacity plants in countries that have rigorous environmental standards.

Despite the significant environmental benefits the GTLE Process offers for the use of low ranked coal, certain environmental groups opposed to the use of coal at all have campaigned against the construction of the Dakota Plant. They have been unsuccessful in their attempt to stop the Company's progress.

In October 2008, the Company entered into agreements with GNPD and Allied Syngas Corporation ("Allied") which included a:

- licence Agreement to use the GTL Energy technology in a planned coal-to-hydrogen-to-power plant near South Heart North Dakota;
- equity investment (purchase of 2,000,000 options each at a price of $1.00 per option with an exercise price of $3.00 per option and an exercise date of 31 December 2012). GNPD and Allied also have rights to acquire a further 9,723,600 options on the same terms by 31 December 2009;
- Development Agreement to deploy technology anywhere in the world for use in their coal-to-gas projects.

In December 2008, the Company executed a Development Agreement with the state owned Solid Energy New Zealand Limited ("SENZ"), New Zealand's largest producer of coal. The agreement included obligations to conduct an evaluation trial to upgrade SENZ's lignite and develop a business case for deployment of the technology. Both of these were completed in May 2009, following which SENZ's and GTL Energy negotiated a Joint Venture Agreement which was executed in July 2009 (see Events Subsequent to Balance Date below).

In January 2009, BHP Billiton Limited ("BHPB") completed an evaluation trial of briquettes produced by GTLE from BHPB's Indonesian lignite using the GTLE Process. The GTL Energy product was subjected to a rigorous test program to determine how it would cope with multiple handling reflecting export from Indonesia into the thermal export coal market. The GTL Energy product performed

satisfactorily in all tests. In June 2009, BHPB announced the closure of its metallurgical coal mine in Indonesia, and has ceased development of its low grade thermal (energy) coal assets.

Through late 2008 and the first half of 2009, GTL Energy commenced marketing its technology in India. Some Indian companies are securing low rank coal assets in Indonesia, and require coal upgrading technology, to ensure a stable high energy product can be shipped efficiently. A test agreement has been executed with a major Indian utility and Indonesian coal samples will be upgraded in Q4 2009.

The commitment to construct the Dakota Plant required the Company to raise capital and in October 2008, the capital raising was closed with 1,675,000 new shares issued at $4.00 per share. A further $4,000,000 was raised in October 2008 from GNPD and Allied purchasing options.

The Company has continued to file for appropriate patent protection in jurisdictions around the world. The earliest patent pending relating to the GTL Process is in the process of examination and response. The Company will continue to seek protection of its intellectual property as required.

GTL Energy's strategy is to complete the construction and commissioning of the Dakota Plant in Q4 2009. This commercial scale module plant will process bulk volumes of low rank coal into high value product from around the world. Importantly, it will enable customers and potential licensees to see the GTLE Process at scale, to transport and stockpile GTLE Product and enable GTL Energy to provide the necessary process guarantees and warranties to support licence agreements. GTL Energy is in discussions with parties that have potential plant production capacity in the millions of tons per annum. Signing any of these opportunities post completion of the GTLE Plant will provide significant validation of the technology, license fee revenue income and a further boost to the Company's value.

At the end of 2009, the Company's forecast cash position will warrant further capital raising to fund working capital, and fund the aggressive business development and marketing of the technology across multiple markets. Such expansion will require additional staff to be added in North America and Australia, with skills encompassing engineering, business development and finance.

GTL Energy is in the process of appointing an investment banking firm to assist with the necessary private placement funding at the end of 2009, as well as advise and prepare the Company for an intended public offering. The Company is taking advice on both the timing and market for such a listing.

The board has maintained that the appropriate time for this Company to bring liquidity to the stock by entering the public market is after its transition from a technology development company to a technology deployment company. The completion of the commercial scale demonstration plant will be a significant milestone in achieving this objective.

Dividends

No dividends have been paid or declared by the Company since the end of the previous financial year.

Directors Report
continued

State of affairs

Significant changes in the state of affairs of the consolidated entity during the financial year are as follows:

- In July 2008, the Company incorporated a wholly owned US based subsidiary of GTL Energy (USA) Limited called GTLE Dakota Plant 1 LLC. This company is undertaking the construction and operation of the Dakota Plant.
- In October 2008, the Company issued 1,675,000 shares at $4.00 to raise a further $6,700,000.
- In October 2008, 900,000 of the Company's F class options and 550,000 of the Company's G class options were exercised at A$0.20 per option, raising a total of A$290,000.
- In October 2008, the Company entered into agreements with GNPD and Allied, including the purchase by each of 2,000,000 options raising $4,000,000.
- In November 2008, the Company incorporated a wholly owned New Zealand based subsidiary called GTL Energy (New Zealand) Pty Limited to undertake all business development and operations in New Zealand.
- In December 2008, the Company entered into a Development Agreement with Solid Energy New Zealand Limited.
- In December 2008, 725,000 of the Company's H class options were exercised at $0.20 per option raising $145,000.

Events subsequent to balance date

On 3 July 2009, the Company reached a settlement with a former consultant who made certain claims for remuneration and intellectual property rights, dating back to 2005. The terms of the settlement are confidential, however as part of the settlement, the former consultant has given up any claim to rights to the GTL Energy technology.

In July 2009, the Stark County District Court Judge issued an opinion on a case brought by Dakota Resource Council against the Stark County Commissioners in respect of the zoning decision made in September 2008 under which the land for the Dakota Plant was rezoned industrial. The Judge overturned the zoning decision of the Stark County Commissioners, on the basis that the Commissioners did not follow their own administrative ordinances. GTL Energy has re-submitted its application for zoning change. The public hearing is on 5 October 2009 and the Stark County Commissioners meeting is on 6 October 2009. This issue has not slowed construction or GTL Energy progress.

In August 2008, GTL Energy received a jurisdictional determination from the Reclamation Director of the Public Service Commission stating that GTL Energy does not require a surface use mining permit, as it is not mining and is not "in connection with" any mine. In July 2009, the Dakota Resource Council filed an amended complaint with the North Dakota Public Service Commission, alleging that GTL Energy does in fact require a surface mining permit to operate the Dakota Plant. The Company strongly disagrees with the Dakota Resource Council's complaint on the basis that it is groundless and has filed a motion to dismiss, or motion for summary judgement. The matter is currently before the Public Service Commission for consideration.

On 25 August 2009, the Company executed a Joint Venture ("JV") Agreement with SENZ. The purpose of the SENZ JV is to commence permitting, final engineering and final economic and technical feasibility assessment for a 100,000 ton per annum plant in the South Island of New Zealand. The decision to proceed with construction will be made by the JV partners in Q1 2010, and will be as a further JV or under licence. Product from this small commercial scale plant will be used to support the business case for a possible 1 million ton per annum plus plant which would sell upgraded coal into the thermal coal export market.

In August 2009, a utility in Eastern US with which the Company has been in discussions for several months, confirmed that it is satisfied with the results from its tests on the GTL Energy product. That company has advised that it now wants to develop a business case to review the possible source of coal and location for a +500,000 ton per annum plant in the US.

On 16 September 2009, the Company engaged a consultant with significant industry experience in the Powder River Basin (Wyoming, Montana US), to assist with marketing and business development into this large US market. As a

result of this appointment, discussions have commenced with one of the largest coal producers in the US.

Other than the matters discussed above, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity, in future financial years.

Likely developments

The consolidated entity intends to further develop and commercialise its low rank coal beneficiation technology, most notably by completion of a 30 ton per hour commercial scale plant module in North Dakota, USA. Successful completion and commissioning will transition GTL Energy into the next phase of business development, focussed on technology deployment. GTL Energy is working closely with various parties in North America, Asia and New Zealand to reach agreement to install commercial scale GTLE plants in these regions. We expect that following commercial scale demonstration, the Company will be in a position to capitalise on these opportunities.

GTL Energy's business model is flexible to the opportunities that arise. GTL Energy expects that most major companies will seek to license GTL Energy's technology and build and operate plants on their own. GTL Energy also expects that opportunities to take equity positions in plants will present. Such equity positions, such as the joint venture in New Zealand, will require further capital to be raised by the Company.

Securing project opportunities, then permitting and construction of new plants is likely to take 2 to 3 years before sufficient licence fees or profits will be generated by GTL Energy to reach positive cash flow. Accordingly, capital requirements will dictate further capital raising.

The Global Financial Crisis and slow-down in development around the world has impacted on access to capital, and also on demand for coal. The record pricing of thermal coal through mid 2008, collapsed in late 2008 and through 2009. However, the new lows for thermal coal pricing still exceed spot prices in 2007, and such pricing remains historically high. We are confident that the GTLE product will compete in various global markets with sufficient margin to ensure the economic viability of the GTLE Process.

Further information about likely developments in the operations of the consolidated entity and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the consolidated entity.

Options Granted as Remuneration

No options were granted as remuneration during the year.

Shares issued on Exercise of Remuneration Options

No shares were issued to directors or management as a result of the exercise of remuneration options during the financial year.

Directors Report
continued

Directors' Interests in shares and options

The interests of directors and their director-related entities within the consolidated entity at year-end are set out below:

Director	**** Shares	***** Options	Class
Mr RM Kennedy	3,223,959	1,062,500	E
		637,292	M
		130,000	N
Mr RG Nelson	2,637,502	1,000,000	E
		515,000	M
		65,000	N
Mr RR French	3,564,152	1,000,000	E
		641,730	M
		462,000	N
Mr NJ Smart	3,237,500	1,000,000	E
		650,000	M*
		201,000	N
		200,000	L*
Mr DL Yakobson**	4,650,628	110,838	E
		630,000	I
		900,000	J
		1,425,000	K ***
		857,626	M
		65,000	N
TOTAL	17,313,741	11,552,986	

*275,000 options are held by NSMART Pty Ltd, a related entity of N J Smart, as trustee for entities not related to N J Smart.
**In total, 2,955,000 shares and 3,546,000 options are held by NSMART Pty Ltd, a related entity of N J Smart, as trustee for an entity not related to N J Smart. The beneficial owner is Coal Solutions LLC of which D L Yakobson is a member and all shares and options of Coal Solutions LLC are shown in D L Yakobson's holdings.
***1,425,000 options convert to 2,850,000 shares if exercised.
****During the year ended 30 June 2006, the Company issued 3,000,000 ordinary fully paid shares to directors at $1.00 per share via non-recourse loans. The non-recourse loans have been accounted for in accordance with IFRIC guidance as an option grant in which the options are exercised on the repayment of loans. If the loans are not repaid, the Company has the right to direct a sale of the shares to recoup the loans (up to the value of the shares at the time of sale).

*****Option details

Class	Exercise price	Exercise date
E	A$1.00*	Before 31 December 2012
I	$0.20	Before 31 December 2012
J	$0.25	Before 31 December 2012
K	$0.30	Before 31 December 2012
L	$1.00**	Before 15 September 2009
M	$2.00	Before 31 December 2012
N	$2.00	Before 31 December 2012
O	$3.00	Before 31 December 2012

*The exercise prices are denominated in Australian Dollars (A$).
**The option class L options expired on 15 September 2009 and were not exercised.

Options

At the date of this report unissued ordinary shares of the Company under option are:

Number of options	Exercise Price	Expiry Date
7,471,926	A$1.00*	31 December 2012
630,000	$0.20	31 December 2012
900,000	$0.25	31 December 2012
1,425,000	$0.30	31 December 2012**
9,596,914	$2.00	31 December 2012
1,315,000	$2.00	31 December 2012
4,000,000	$3.00	31 December 2012
25,338,840	Total Options	

*The exercise prices are denominated in Australian Dollars (A$).
**These options entitle the holder 2 shares for every 1 option exercised.

The options do not entitle the holder to participate in any share issue of the Company or any other body corporate. During the year the Company issued 2,175,000 ordinary shares as a result of the exercise of options. Since the end of the financial year, the Company has not issued any ordinary shares as a result of the exercise of options, and 200,000 class L options expired.

There were no amounts unpaid on shares issued.

PFIC & CFC Notice

Under the US federal income tax law, the Company believes it may have been a Passive Foreign Income Company ("PFIC") and a Controlled Foreign Corporation ("CFC") during the financial year ended 30 June 2009. If the Company were treated as a PFIC or a CFC for any taxable year that a US shareholder held our shares, certain tax consequences could apply to that US shareholder. The PFIC and CFC rules are complicated and apply to US shareholders and not the Company. Accordingly US shareholders should consult their financial advisor, legal counsel or accountant regarding these rules.

Environmental regulation and performance statement

The Company's operations are not subject to significant environmental regulations under Commonwealth and South Australian legislation.

The Dakota Plant in the US is subject to county and state requirements including the North Dakota Department of Health regarding air and water emissions. The Company has obtained all necessary permits to construct the Dakota Plant and will receive all necessary permits to operate the Dakota Plant prior to commissioning.

Indemnification and insurance of officers and auditors

Indemnification

The Company's constitution provides that to the extent permitted by the Corporations Act 2001, the Company must indemnify each person who is or has been an Officer against any liability incurred as an Officer and may pay a premium for a contract insuring an Officer against that liability.

Insurance premiums

During the year, the Company paid insurance premiums of A$25,909.43 in respect of Directors and Officer's liability insurance.

In August 2008, GTL Energy (USA) Limited took out insurance policies for general commercial and workcover, paying $8,243 in premiums.

In September 2008, GTL Energy (USA) Limited took out keyman policies for Mr Blake Williams, CFO and Mr Robert Reeves, consultant with Hazen Research Inc and co-inventor.

Proceedings on behalf of Company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company or to intervene in any proceedings to which the company is a party for the purposes of taking responsibility on behalf of the Company for all or part of those proceedings. There were no such proceedings brought or interventions on behalf of the Company for all or part of those proceedings. There were no such proceedings brought or interventions on behalf of the Company with leave from the court under section 237 of the corporations Act 2001.

Non-audit services

GTL Energy may decide to employ the external auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with GTL Energy are important. The Board has considered the position and is satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by Corporations Act 2001. The directors are satisfied that the provision of non-audit services by the auditor as set out below, did not compromise the audit

Directors Report
continued

independence requirement of the Corporations Act 2001 for the following reasons:

- All non-audit services have been reviewed by the Audit Committee to ensure they do not impact the impartiality of the auditor;
- None of the services undermine the general principle relating to auditor independence as set out in APES 110 Code – Code of Ethics for professional accountants, including reviewing or auditing the auditor's own work, acting in a management or a decision making capacity for GTL Energy, acting as an advocate for GTL Energy or jointly sharing economic risk and reward.

Details of the amounts paid or payable to the external auditors, Grant Thornton – South Australian Partnership for audit and non-audit services provided during the year are set out at Note 5 to the financial statements.

Section 307C of the Corporations Act 2001 requires our auditors, Grant Thornton – South Australian Partnership, to provide the directors of GTL Energy with an Independence Declaration in relation to the audit of the full year financial statements. This Independence Declaration is made on the following page and forms part of this Directors' Report.

Dated at Adelaide this 30th day of September 2009.

Signed in accordance with a resolution of the directors:

Robert Michael Kennedy

Chairman

Grant Thornton

Level 1,
67 Greenhill Rd
Wayville SA 5034
GPO Box 1270
Adelaide SA 5001

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AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF GTL ENERGY LIMITED

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of GTL Energy Limited for the year ended 30 June 2009 I declare that, to the best of my knowledge and belief, there have been:

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

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

GRANT THORNTON
South Australian Partnership
Chartered Accountants

J L Humphrey
Partner

Signed at Unley on this 30th day of September 2009

Income Statement

For the year ended 30 June 2009

		Consolidated		The Company	
	Note	2009 $	2008 $	2009 $	2008 $
Revenues from ordinary activities	2	368,919	813,905	602,060	813,905
Accountancy fees		174,898	147,981	142,586	142,300
Employment expenses		1,330,649	2,235,820	551,686	1,803,001
Amortisation expenses		52,646	34,352	45,328	33,749
Consultancy fees		139,754	123,593	13,714	120,743
Legal fees		238,750	268,182	108,771	208,288
Occupancy expenses		38,610	40,517	31,252	33,717
Overseas travel and accommodation		235,442	247,846	57,802	157,216
Other expenses from ordinary activities	3	652,090	234,727	708,853	186,137
Total expenses		2,862,839	3,333,018	1,657,992	2,685,151
Profit / (Loss) from ordinary activities before related income tax expense		(2,493,920)	(2,519,113)	(1,055,932)	(1,871,246)
Income tax (expense)/benefit relating to ordinary activities	4	(113,584)	(39,514)	(113,584)	(39,514)
Profit / (Loss) from ordinary activities after related income tax expense		(2,607,504)	(2,558,627)	(1,169,516)	(1,910,760)

The income statement is to be read in conjunction with the notes to the financial statements set out on pages 17 to 37.

Balance Sheet
As at 30 June 2009

		Consolidated		The Company	
		2009	**2008**	**2009**	**2008**
	Note	$	$	$	$
CURRENT ASSETS					
Cash assets	6	15,845,898	15,248,310	15,058,547	15,015,636
Trade and other receivables	7	26,942	156,989	20,281	145,718
Total current assets		15,872,840	15,405,299	15,078,828	15,161,354
NON-CURRENT ASSETS					
Trade and other receivables	7	-	-	9,472,862	1,165,397
Property plant and equipment	8	8,948,953	2,658,774	1,870,936	2,093,719
Other financial assets	9	-	-	200,009	200,009
Intangible assets	10	7,256,366	6,295,764	6,842,913	6,283,764
Total non-current assets		16,205,319	8,954,538	18,386,720	9,742,888
Total assets		32,078,159	24,359,837	33,465,548	24,904,242
CURRENT LIABILITIES					
Trade and other payables	11	1,106,288	1,806,278	519,070	1,766,634
Short term provisions	12	164,984	96,454	53,731	34,245
Total current liabilities		1,271,272	1,902,732	572,801	1,800,879
NON-CURRENT LIABILITIES					
Long term payables	13	3,248	3,248	3,248	3,248
Long term provisions	12	-	2,937	-	1,323
Total non-current liabilities		3,248	6,185	3,248	4,571
Total liabilities		1,274,520	1,908,917	576,049	1,805,450
Net assets		30,803,639	22,450,919	32,889,499	23,098,792
EQUITY					
Issued share capital	14	32,919,056	26,133,333	32,919,056	26,133,333
Reserves		5,828,877	1,654,377	5,828,877	1,654,377
Retained profits	16	(7,944,294)	(5,336,790)	(5,858,434)	(4,688,918)
Total equity		30,803,639	22,450,920	32,889,499	23,098,792

The balance sheet is to be read in conjunction with the notes to the financial statements set out on pages 17 to 37.

Statement of Changes in Equity
As at 30 June 2009

Consolidated	Note	Share Capital Ordinary $	Share Based Payments Reserve $	Share Option Reserve $	Retained Profits / (Losses) $	Total $
Balance at 1 July 2008		26,133,333	1,654,377	-	(5,336,790)	22,450,920
1,682,500 shares issued during the period at $4.00		6,730,000		-	-	6,730,000
1,450,000 options exercised at A$0.20		175,753	-	-	-	175,753
4,000,000 options issued at $1.00		-	-	4,000,000	-	4,000,000
725,000 options exercised at $0.20		145,000	-	-	-	145,000
Fair value of options issued to consultants		-	174,500	-	-	174,500
Transaction costs associated with the issue of shares net of tax		(265,030)	-	-	-	(265,030)
Profit/(loss) attributable to shareholders		-	-	-	(2,607,504)	(2,607,504)
Balance as at 30 June 2009		32,919,056	1,828,877	4,000,000	(7,944,294)	30,803,639

Consolidated	Note	Share Capital Ordinary $	Share Based Payments Reserve $	Share Option Reserve $	Retained Profits / (Losses) $	Total $
Balance at 1 July 2007		20,734,244	744,334	-	(2,778,163)	18,700,415
1,000,000 shares issued during the period to related parties of Coal Solutions LLC at $2.00		2,000,000	-	-	-	2,000,000
1,740,000 shares issued during the period at $2.00		3,480,000	-	-	-	3,480,000
Fair value of options issued to consultants		-	156,900	-	-	156,900
Fair value of options issued to employees		-	753,143	-	-	753,143
Transaction costs associated with the issue of shares net of tax		(80,911)	-	-	-	(80,911)
Profit/(loss) attributable to shareholders		-	-	-	(2,558,627)	(2,558,627)
Balance as at 30 June 2008		26,133,333	1,654,377	-	(5,336,790)	22,450,920

The statement of changes in equity is to be read in conjunction with the notes to the financial statements set out on pages 17 to 37.

Statement of Changes in Equity
As at 30 June 2009

Parent	Note	Share Capital Ordinary $	Share Based Payments Reserve $	Share Option Reserve $	Retained Profits / (Losses) $	Total $
Balance at 1 July 2008		26,133,333	1,654,377	-	(4,688,918)	23,098,792
1,682,500 shares issued during the period at $4.00		6,730,000	-	-	-	6,730,000
1,450,000 options exercised at A$0.20		175,753	-	-	-	175,753
4,000,000 options issued at $1.00		-	-	4,000,000	-	4,000,000
725,000 options exercised at $0.20		145,000	-	-	-	145,000
Fair value of options issued to consultants		-	174,500	-	-	174,500
Transaction costs associated with the issue of shares net of tax		(265,030)	-	-	-	(265,030)
Profit/(loss) attributable to shareholders		-	-	-	(1,169,516)	(1,169,516)
Balance as at 30 June 2009		32,919,056	1,828,877	4,000,000	(5,858,434)	32,889,499

Parent	Note	Share Capital Ordinary $	Share Based Payments Reserve $	Option Capital Ordinary $	Retained Profits / (Losses) $	Total $
Balance at 1 July 2007		20,734,244	744,334	-	(2,778,158)	18,700,420
1,000,000 shares issued during the period to related parties of Coal Solutions LLC at $2.00		2,000,000	-	-	-	2,000,000
1,740,000 shares issued during the period at $2.00		3,480,000	-	-	-	3,480,000
Fair value of options issued to consultants		-	156,900	-	-	156,900
Fair value of options issued to employees		-	753,143	-	-	753,143
Transaction costs associated with the issue of shares net of tax		(80,911)				(80,911)
Profit/(loss) attributable to shareholders					(1,910,760)	(1,910,760)
Balance as at 30 June 2008		26,133,333	1,654,377	-	(4,688,918)	23,098,792

Nature and Purpose of Reserves

The share based payment reserve recognises the fair value of shares and options issued to related parties in exchange for services

The share option reserves recognises the capital received from the issue of options

The statement of changes in equity is to be read in conjunction with the notes to the financial statements set out on pages 17 to 37.

Cash Flow Statement
As at 30 June 2009

	Note	Consolidated 2009 $	Consolidated 2008 $	The Company 2009 $	The Company 2008 $
Cash flows from operating activities					
Cash receipts in the course of operations		-	-	-	-
Cash payments in the course of operations		(2,867,437)	(1,889,333)	(1,400,083)	(1,334,267)
Interest received		401,033	824,196	341,034	824,196
Net cash provided by/(used in) operating activities	20	(2,466,404)	(1,065,137)	(1,059,049)	(510,072)
Cash flows from investing activities					
Payments for:					
Property, plant and equipment		(7,258,171)	(551,428)	(779,641)	(548,758)
Development assets		(324,762)	(3,475,657)	(486,297)	(2,900,669)
Shares in subsidiaries		-	-	-	(200,001)
Loan to subsidiary		-	-	(8,282,580)	(1,165,396)
Net cash used in investing activities		(7,582,933)	(4,027,085)	(9,548,518)	(4,814,824)
Cash flows from financing activities					
Proceeds from issue of shares and options		10,698,702	3,359,463	10,698,702	3,359,463
Repayment of borrowings		-	-	-	-
Proceeds from borrowings		-	-	-	-
Net cash provided by financing activities		10,698,702	3,359,463	10,698,702	3,359,463
Net increase/(decrease) in cash held		649,365	(1,732,759)	91,135	(1,965,433)
Cash at the beginning of the financial year		15,248,310	16,913,316	15,015,636	16,913,316
Effects of exchange rate fluctuations on the balances of cash held in foreign currencies		(51,777)	67,753	(48,224)	67,753
Cash at the end of the financial year	6, 20(a)	15,845,898	15,248,310	15,058,547	15,015,636

The statement of cash flow is to be read in conjunction with the notes to the financial statements set out on pages 17 to 37.

Notes to the Financial Statements

For the year ended 30 June 2009

1 Statement of significant accounting policies

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

The financial report covers GTL Energy Limited, an unlisted public company, incorporated and domiciled in Australia and its controlled entities which comprise four private companies domiciled in Australia, two private companies domiciled in the United States of America and one private company domiciled in New Zealand.

The following is a summary of the material accounting policies that have been adopted in the preparation of this financial report. The accounting policies have been consistently applied unless otherwise stated.

The financial report was authorised for issue on 30 September 2009 by the Board of Directors.

(a) Basis of preparation

Presentation currency: The presentation currency is United States Dollars.

Compliance with IFRS: Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the consolidated financial statements and notes of GTL Energy Limited comply with International Financial Reporting Standards (IFRS).

Historical cost convention: These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and liabilities (including derivative instruments) at fair value through profit or loss, certain classes of property, plant and equipment and investment property.

(b) Principles of consolidation

Controlled entities

The financial statements of controlled entities are included from the date control commences until the date control ceases.

Outside interests in the equity and results of the entities that are controlled by the Company are shown as a separate item in the consolidated financial statements.

Transactions eliminated on consolidation

Unrealised gains and losses and inter-entity balances resulting from transactions with or between controlled entities are eliminated in full on consolidation.

(c) Taxation

The Group adopts the liability method of tax-effect accounting whereby the income tax expense is based on the profit from ordinary activities adjusted for any non-assessable or disallowed items.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss. Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

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

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the Company will

Notes to the Financial Statements
For the year ended 30 June 2009

derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

(d) Plant and equipment

Plant and equipment is recognised at cost.

Useful lives

Assets are depreciated or from the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and held ready for use.

Depreciation rates and methods are reviewed annually for appropriateness. When changes are made, adjustments are reflected prospectively in current and future periods only. Depreciation and amortisation are expensed.

The depreciation rates used for each class of asset are as follows:

Class of assets	2009	2008
Plant and equipment	15%	15%
Computer equipment	37.5-40%	37.5 – 40%

(e) Acquisitions of assets

All assets acquired including property, plant and equipment and intangibles, other than goodwill, are initially recorded at their cost of acquisition at the date of acquisition, being the fair value of the consideration provided plus incidental costs directly attributable to the acquisition. When equity instruments are issued as consideration, their market price at the date of acquisition is used as fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity subject to the extent of proceeds received, otherwise expensed.

Expenditure, including that on internally generated assets other than research and development costs, is only recognised as an asset when the entity controls future economic benefits as a result of the costs incurred, it is probable that those future economic benefits will eventuate, and the costs can be measured reliably. Costs attributable to feasibility and alternative approach assessments are expensed as incurred.

Subsequent additional costs

Costs incurred on assets subsequent to initial acquisition are capitalised when it is probable that future economic benefits in excess of the originally assessed performance of the asset will flow to the consolidated entity in future years.

Costs that do not meet the criteria for capitalisation are expensed as incurred.

(f) Impairment of assets

At each reporting date, the Company 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 the income statement.

(g) Patents and trademarks

Patents are recognised at cost of acquisition. Patents have a finite life and are carried at cost less any accumulated amortisation and any impairment losses.

The amortisation rates used for each class of asset are as follows:

Intangibles	2009	2008
Patents and trademarks	10%	10%

Notes to the Financial Statements

For the year ended 30 June 2009

(h) Research and development

Expenditure during the research phase of a project is recognised as an expense when incurred. Development costs are capitalised only when technical feasibility studies identify that the project will deliver future economic benefits and these benefits can be measured reliably.

Development costs have a finite life but at this stage no plant is completely installed or available for use and therefore they have not been amortised on a systematic basis matched to future economic benefits over the useful life of the project.

(i) Leases

Leased 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.

(j) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

(k) Revenue recognition

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

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

All revenue is stated net of goods and services tax (GST).

(l) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO) or other relevant government agency in respect of foreign entities (such as New Zealand). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated in the Balance Sheet inclusive of GST.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

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

(m) 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 – impairment

The group assesses impairment at each reporting date by evaluating conditions specific to the group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

Notes to the Financial Statements

For the year ended 30 June 2009

(n) Employee benefits

Provision is made for the company'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. Those cashflows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cashflows.

Equity-settled compensation

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

(o) Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The consolidated and parent entity financial statements are presented in US dollars, as significant portion of the Group's activity is denominated in US dollars.

Transactions and balances

Foreign currency transactions are converted to US dollars at exchange rates approximating those in effect at the date of each transaction. Amounts payable and receivable in foreign currencies at balance date are converted to US dollars at the average of the buy and sell rates available on the close of business at balance date. Revaluation gains and losses are brought to account as they occur.

Exchange differences relating to monetary items are included in the income statement, as exchange gains or losses, in the period when the exchange rates change.

Group companies

All resulting exchange differences from the translation of the results and financial position of all the Group entities that have a functional currency other than US dollars are recognised as a separate component of equity. On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to be shareholders' equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(p) Borrowing costs

Borrowing costs are expensed as incurred unless they relate to qualifying assets. Qualifying assets are assets which take more than 12 months to get ready for their intended use or sale. In these circumstances, borrowing costs are capitalised to the cost of the assets. Where funds are borrowed specifically for the acquisition, construction or production of a qualifying asset, the amount of borrowing costs capitalised is those incurred in relation to that borrowing, net of any interest earned on those borrowings.

Notes to the Financial Statements

For the year ended 30 June 2009

(q) Investments

Controlled entities

Investments in controlled entities are carried in the Company's financial statements at the lower of cost and recoverable amount.

(r) Payables

Liabilities are recognised for amounts to be paid in the future for goods or services received.

(s) Transaction costs on the issue of equity instruments

Transaction costs arising from the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs related. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

(t) Comparative figures

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

(u) New Accounting Standards for Application in Future Periods

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

AASB 101: Presentation of Financial Statements, AASB 2007-8: Amendments to Australian Accounting Standards arising from AASB101, and AASB 2007-10: Further Amendments to Australian Accounting Standards arising from AASB 101 (all applicable to annual reporting periods commencing from 1 January 2009.) The revised AASB 101 and amendments supersede the previous AASB 101 and redefines the composition of financial statements including the inclusion of a statement of comprehensive income. There will be no measurement or recognition impact on the entity. If an entity has made a prior period adjustment or reclassification, a third balance sheet as at the beginning of the comparative period will be required.

AASB 8: Operating Segments and AASB 2007-3: Amendments to the Australian Accounting Standards arising from AASB 8 [AASB 5, AASB 6, AASB 102, AASB 107, AASB 119, AASB 127, AASB 134, AASB 136, AASB 1023 & AASB 1038] applicable for annual reporting periods commencing from 1 January 2009). AASB 8 replaces AASB 114 and requires identification of operating segments on the basis of internal reports that are regularly reviewed by the Group's Board for the purpose of decision making. While the impact of this standard cannot be assessed at this stage, there is the potential for more segments to be identified. Given the lower economic levels at which segments may be defined, and the fact that cash generating units cannot be bigger than operating segments, impairment calculations may be affected. Management does not presently believe impairment will result however.

AASB 2008-1: Amendments to Australian Accounting Standard – Share-based Payments: Vesting Conditions and Cancellations [AASB 2] (applicable for annual reports commencing from 1 January 2009). This amendment to AASB 2 clarifies that vesting conditions consist of service and performance conditions only. Other elements of share-based payment transactions should therefore be considered for the purpose of determining fair value. Cancellations are also required to be treated in the same manner whether cancelled by the entity or by another party.

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

Notes to the Financial Statements

For the year ended 30 June 2009

(v) Financial Instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the entity commits itself to either purchase or sell the asset. Financial instruments are initially measured at cost.

Classification and subsequent measurement

Financial Assets

Financial assets comprise bank deposits and receivables incurred in the normal course of business. They are not quoted in an active market and are subsequently measured at cost.

Financial Liabilities

Financial liabilities are subsequently measured at cost.

Derecognition

Financial Assets and liabilities are derecognised where the contractual rights or obligations are either discharged, cancelled or expired.

(w) Segment Reporting

A business segment is identified for a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is identified when products or services are provided within a particular economic environment subject to risks and returns that are difference from those segments operating in other economic environments.

The group operates in one business segment.

Notes to the Financial Statements
For the year ended 30 June 2009

	Consolidated		The Company	
	2009	**2008**	**2009**	**2008**
	$	$	$	$

2 Revenue from ordinary activities

Other revenues:
From operating activities

	2009	2008	2009	2008
Sales	-	-	291,220	-
Interest	368,919	746,152	310,840	746,152
Realised and unrealised currency gain	-	67,753	-	67,753
Total revenue from ordinary activities	368,919	813,905	602,060	813,905

3 Other expenses

	2009	2008	2009	2008
Other expenses*	603,987	234,727	658,629	186,137
Realised and unrealised currency loss	48,103	-	48,224	-
Total other expenses from ordinary activities	652,090	234,727	706,853	186,137

**Includes $31,252 in rental expenses from sub-lease of serviced offices*
**Includes $174,500 in share based payments*

4 Income tax expense

The components of tax expense comprise:

	2009	2008	2009	2008
Current income tax charge	-	-	-	-
Tax portion of capital raising costs	113,584	39,514	113,584	39,514
Income tax expense reported in the income statement	113,584	39,514	113,584	39,514

The prima facie tax on loss from ordinary activities before income tax is reconciled to the income tax as follows:

	2009	2008	2009	2008
Accounting loss before income tax	(2,493,920)	(2,519,113)	(1,055,932)	(1,871,246
Prima facie income tax benefit calculated at 30% on loss from ordinary activities	(748,176)	(755,734)	(316,780)	(561,374)
Non allowable items	(9,602)	176,640	(9,373)	176,960
Deferred tax asset in respect of tax losses not brought to account	757,778	579,094	326,153	384,414
Tax portion of capital raising costs	113,584	39,514	113,584	39,514
Income tax expense attributable to loss from ordinary activities	113,584	39,514	113,584	39,514

Income tax losses

	2009	2008	2009	2008
Deferred tax asset arising from carried forward tax losses not recognised at reporting date as the asset is not regarded as meeting the probable criteria - tax losses at 30%	2,307,352	1,549,574	1,681,047	1,354,894

Notes to the Financial Statements
For the year ended 30 June 2009

	Consolidated 2009 $	Consolidated 2008 $	The Company 2009 $	The Company 2008 $

5 Auditors' remuneration

Audit services:

	Consolidated 2009 $	Consolidated 2008 $	The Company 2009 $	The Company 2008 $
Auditors of the Company – Grant Thornton	11,731	10,397	11,731	10,397
Other services	9,063	1,746	9,063	1,746
Total	20,794	12,143	20,794	12,143
Services provided by practices related to the parent auditor - accounting and tax services	32,229	4,699	-	-

6 Cash assets

	Consolidated 2009 $	Consolidated 2008 $	The Company 2009 $	The Company 2008 $
Cash	15,845,898	15,248,310	15,058,547	15,015,636

Amounts held in foreign currencies

The United States dollar equivalents of unhedged cash assets held in foreign currencies, calculated at year-end exchange rates, are as follows:

Australian dollars

	Consolidated 2009 $	Consolidated 2008 $	The Company 2009 $	The Company 2008 $
Cash	1,328,388	1,004,785	1,328,388	1,004,784

7 Trade and other receivables

Current

	Consolidated 2009 $	Consolidated 2008 $	The Company 2009 $	The Company 2008 $
Other debtors and Prepayments	26,942	156,989	20,281	145,718

No amounts receivable are noted as being past due and not impaired

Non Current

	Consolidated 2009 $	Consolidated 2008 $	The Company 2009 $	The Company 2008 $
Loans to subsidiaries	-	-	9,486,621	1,176,511
Provision for impairment	-	-	(13,759)	(11,115)
Closing Balance	-	-	9,472,862	1,165,396

8 Property, plant and equipment

Plant and equipment

	Consolidated 2009 $	Consolidated 2008 $	The Company 2009 $	The Company 2008 $
At cost	1,930,206	2,131,300	1,925,127	2,128,630
Accumulated depreciation	(56,127)	(35,514)	(54,191)	(34,911)
Total property, plant and equipment – Net book value	1,874,079	2,095,786	1,870,936	2,093,719
Capital work in progress	7,074,874	562,988	-	-
Total Plant and Equipment	8,948,953	2,658,774	1,870,936	2,093,719

Reconciliations

Reconciliations of the carrying amounts for each class of property, plant and equipment are set out below:

Plant and equipment

	Consolidated 2009 $	Consolidated 2008 $	The Company 2009 $	The Company 2008 $
Carrying amount at beginning of year	2,658,775	1,865,778	2,093,719	1,865,779
Additions	7,265,148	813,339	750,853	247,680
Transfers	(950,682)	-	(950,681)	-
Depreciation	(24,288)	(20,343)	(22,955)	(19,740)
Carrying amount at end of year	8,948,953	2,658,774	1,870,936	2,093,719

Notes to the Financial Statements

For the year ended 30 June 2009

	Consolidated		The Company	
	2009	**2008**	**2009**	**2008**
	$	$	$	$

9 Other financial assets

Non-current

Investments in controlled entities – refer Note 19	-	-	200,009	200,009

10 Intangibles

Patents, trademarks and rights – at cost	3,849,598	3,790,727	3,837,598	3,778,726
Accumulated amortisation	(59,829)	(37,456)	(59,829)	(37,456)
Net carrying value	3,789,769	3,753,271	3,777,769	3,741,270
Development expenses – coal drying technology	3,466,596	2,542,493	3,065,144	2,542,493
Accumulated amortisation	-	-	-	-
Net carrying value	3,466,596	2,542,493	3,065,144	2,542,493
Total intangibles	7,256,365	6,295,764	6,842,913	6,283,764

11 Trade and other payables

Trade creditors	865,907	1,586,653	278,689	1,571,052
Other creditors and accruals	240,381	219,625	240,381	195,579
Subsidiary companies	-	-	-	3
Total	1,106,288	1,806,278	519,070	1,766,634

Amounts payable/receivable in foreign currencies

The United States dollar equivalents of unhedged amounts payable or receivable in foreign currencies, calculated at year-end exchange rates, are as follows:

Australian dollars

Amounts payable:				
Current	36,386	267,053	36,386	243,007

12 Provisions

Short term leave provisions	164,984	96,454	53,731	34,245
Long term leave provisions	-	2,937	-	1,323
Total	164,984	99,391	53,731	35,568

13 Long term payables

Non-current

Loans*	3,248	3,248	3,248	3,248
Total	3,248	3,248	3,248	3,248

**Loans – refer to loans made by directors and others to the entity that are unsecured and are not interest bearing.*

Notes to the Financial Statements

For the year ended 30 June 2009

		Consolidated		The Company	
		2009	**2008**	**2009**	**2008**
		$	$	$	$
14 Issued share capital					
Issued and paid-up share capital					
46,827,069 (2008: 42,969,569) ordinary shares, fully paid	14 (a)	32,919,056	26,133,333	32,919,056	26,133,333
(a) Ordinary shares (price share capital)					
Balance at the beginning of year		26,133,333	20,734,244	26,133,333	20,734,244
Shares issued					
- 1,450,000 (2008: 0) at AU$0.20		175,753	-	175,753	-
- 725,000 (2008: 0) at $0.20		145,000	-	145,000	-
- 0 (2008: 2,740,000) at $2.00		-	5,480,000	-	5,480,000
- 1,682,500 (2008: 0) at $4.00		6,730,000	-	6,730,000	-
Less transaction costs arising from share issues net of tax		(265,030)	(80,911)	(265,030)	(80,911)
Balance at end of year*		32,919,056	26,133,333	32,919,056	26,133,333

	Consolidated		The Company	
	2009	**2008**	**2009**	**2008**
	#	#	#	#
(b) Ordinary shares (number of shares)				
Balance at the beginning of year	42,969,569	40,229,569	42,969,569	40,229,569
Shares issued				
- 1,450,000 (2008: 0) at AU$0.20	1,450,000	-	1,450,000	
- 725,000 (2008: 0) at $0.20	725,000	-	725,000	-
- 0 (2008: 2,740,000) at $2.00	-	2,740,000	-	2,740,000
- 1,682,500 (2008: 0) at $4.00	1,682,500	-	1,682,500	-
Balance at end of year	46,827,069	42,969,569	46,827,069	42,969,569

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings. In the event of winding up of the Company ordinary shareholders rank after all other shareholders and creditors and are fully entitled to any proceeds of liquidation.

Capital Management

Management controls the capital of the Group in order to maintain a good debt to equity ratio and ensure that the Group can fund its operations and continue as a going concern.

The Group's debts and capital includes ordinary share capital, share options and financial liabilities, supported by financial assets.

There are no externally imposed capital requirements.

Management effectively manages the Group's capital by assessing the Group's financial risk and adjusting its capital structure in response to changes in the 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 prior year.

Notes to the Financial Statements

For the year ended 30 June 2009

(c) Options to ordinary shares

	Exercise Price							
	A$1.00	A$0.20	$0.20	$0.25	$0.30	$1.00	$2.00	$3.00
Balance at 1 July 2008	7,471,926	3,500,000	1,355,000	900,000	1,425,000	200,000	10,911,914	-
Options issued during the year	-	-	-	-	-	-	-	4,000,000
Options exercised during the year	-	(1,450,000)	(725,000)	-	-	-	-	-
Options expired during the year	-	(2,050,000)	-	-	-	-	-	-
Balance at 30 June 2009	7,471,926	-	630,000	900,000	1,425,000	200,000	10,911,914	4,000,000
Share entitlement	7,471,926	-	630,000	900,000	2,850,000	200,000	10,911,914	4,000,000
Exercise date *	31-Dec-12	10-Oct-08	**	31-Dec-12	31-Dec-12	15-Sep-09*	31-Dec-12	31-Dec-12

** At the date of this report, the $1.00 options have expired.*

***Contained two classes exercisable at 20 December 2008 and 31 December 2012, with only the 31 December 2012 class outstanding.*

15 Share based payments

The following share based payment arrangements existed during 30 June 2009

- On 1 October 2008, A$40,000 was loaned to a consultant to exercise 200,000 options at an exercise price of $A0.20 each. The loan is a limited recourse loan, repayable on demand after 10 October 2011. This loan has been treated as a share based payment and the fair value of this loan is $174,500, determined by applying an option valuation model
- A 60% volatility rate has been used to value shares issued, based on historical volatility rates for the underlying security still being considered applicable this year

Assumption	Volatility	Strike Price	Share Price	Risk Free %	Term	Valuation (50%)
1 Oct 2008	60%	$4.00	$4.00	4.35%	3 years	$0.8725

- On January 2009, 7,500 shares were issued at $4.00 per share in exchange for services
- During the year, 62,500 shares were issued in lieu of capital raising expenses as follows:

Capital Raising Costs	Capital Costs in Cash	Capital Costs in Shares	Total Cost of Capital	Less Tax	Net Cost of Capital
Cost of capital	$128,614	$250,000	$378,614	$113,584	$265,030
# of shares issued		62,500			

Notes to the Financial Statements

For the year ended 30 June 2009

	Consolidated		The Company	
	2009	2008	2009	2008
	$	$	$	$
16 Retained profits				
Retained profits/(loss) at beginning of year	(5,336,790)	(2,778,163)	(4,688,918)	(2,778,158)
Net profit/(loss) attributable to members of the parent entity	(2,607,804)	(2,558,627)	(1,169,516)	(1,910,760)
Retained profits/(loss) at the end of the year	(7,944,294)	(5,336,790)	(5,858,434)	(4,688,918)

17 Financial instruments disclosure

(a) Financial risk management policies

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

The main purpose of non-derivative financial instruments is to raise finance for group operations.

(i) Treasury risk management

The Board meets on a regular basis and analyses financial risk exposure and evaluates treasury management strategies in the context of the most recent economic conditions and forecasts. The Board's overall risk management strategy seeks to assist the consolidated Group in meeting its financial targets whilst minimising potential adverse effects on financial performance. Risk management is reviewed by the Board on a regular basis and includes review of the Group's cash flow requirements.

(ii) Financial risk exposures and management

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

Foreign currency risk

The Group is exposed to fluctuations in foreign currencies arising from the activities in currencies other than the Group's measurement currency.

Liquidity risk

The Group manages liquidity risk by monitoring forecast cash flows.

Credit risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets as disclosed in the balance sheet and notes to the accounts.

There are no material amounts of collateral held as security at 30 June 2009.

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

(b) Financial instrument composition and maturity analysis

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

The tables below reflect the undiscounted contractual settlement terms for financial instruments of a fixed period of maturity, as well as management's expectations of the settlement period for all other financial instruments. As such, the amounts may not reconcile to the balance sheet.

Notes to the Financial Statements

For the year ended 30 June 2009

Fixed interest rate maturing

Consolidated	Weighted Average Interest Rate 2009	Weighted Average Interest Rate 2008	Floating Interest Rate 2009 $	Floating Interest Rate 2008 $	Non-interest Bearing 2009 $	Non-interest Bearing 2008 $	Total 2009 $	Total 2008 $
Financial assets:								
Cash and cash equivalents	2.19%	2.70%	15,566,368	15,003,150	279,530	245,160	15,845,898	15,248,310
Receivables			-	-	26,942	156,989	26,942	156,989
Total financial assets			15,566,368	15,003,150	306,472	402,149	15,872,840	15,405,299
Financial liabilities:								
Trade & sundry payables	-	-	-	-	1,106,288	1,806,278	1,106,288	1,806,278
Total financial liabilities	-	-	-	-	1,106,288	1,806,278	1,106,288	1,806,278

Trade and sundry payables are expected to be paid within two months.

(c) Net fair values

The net fair value of other monetary financial assets and financial liabilities is based on discounting future cash flows by the current interest rates for assets and liabilities with similar risk profiles. The balances are not materially different from those disclosed in the balance sheet of the consolidated entity.

The net fair value of cash and cash equivalent and non interest bearing monetary financial assets and financial liabilities of the consolidated entity approximate their carrying value.

No financial assets and financial liabilities are readily traded on organised markets in standardised form financial assets, where the carrying value exceeds net fair values have not been written down as the Group intends to hold these assets to maturity.

(d) Sensitivity Analysis

The Group has performed a sensitivity analysis relating to its exposure to interest rate risk.

Interest rate sensitivity analysis

At 30 June 2009, the effect on profit and equity as a result of changes in the interest rate, with all other variables remaining constant would be as follows:

	Consolidated 2009 $	Consolidated 2008 $	The Company 2009 $	The Company 2008 $
Change in profit:				
Increase in interest rate by 2%	317,000	304,000	301,000	300,000
Decrease in interest rate by 2%	(317,000)	(304,000)	(301,000)	(300,000)
Change in equity:				
Increase in interest rate by 2%	317,000	304,000	301,000	300,000
Decrease in interest rate by 2%	(317,000)	(304,000)	(301,000)	(300,000)

Notes to the Financial Statements
For the year ended 30 June 2009

18 Commitments & contingent liabilities

At balance date the company has issued purchase orders in relation to the purchase of plant and equipment. The total is summarised below.

Capital commitments

Plant and equipment – due within 1 year	4,707,169	2,374,842	-	2,374,842
Total	4,707,169	2,374,842	-	2,374,842

There are no known contingent liabilities that may become payable

	Consolidated		The Company	
	2009 $	**2008** $	**2009** $	**2008** $
Non-cancellable operating lease expense commitments				
Future operating lease commitments not provided for in the financial statements and payable:				
Within one year	9,640	14,831	9,640	15,470
One year or later and no later than five years	-	2,804	-	2,925
Later than five years	-	-	-	-
Total	9,640	17,635	9,640	18,395

Non-cancellable operating lease expense commitments

(a) GTL Energy sub-leases a serviced office in Adelaide under a non cancellable annual operating lease expiring in October 2009. The lease generally provides the Company with a right of renewal for a further year. After which time all terms are negotiated. Lease payments comprise a base amount plus an incremental contingent rental. Contingent rentals are based on movements in the Consumer Price Index.

19 Controlled entities

(a) Particulars in relation to controlled entities

	Country of Incorporation	**2009** %	**2008** %
Parent Name			
GTL Energy Ltd	AUS		
Controlled entities			
GTL Energy (USA) Limited	USA	100	100
GTLE Dakota Plant 1 LLC (Subsidiary of GTL Energy (USA) Limited)	USA	100 (Indirect)	0
GTL Energy (New Zealand) Pty Limited	NZ	100	0
GTL Energy (Indonesia) Pty Ltd	AUS	100	100
GTL Fuel Technologies Pty Ltd	AUS	100	100
GTL Power and Diesel Pty Ltd	AUS	100	100
Murraylands Exploration Pty Ltd	AUS	100	100

Notes to the Financial Statements
For the year ended 30 June 2009

	Consolidated		The Company	
	2009	2008	2009	2008
	$	$	$	$

20 Notes to the cash flow statement

(a) Reconciliation of cash

For the purposes of the cash flow statement, cash includes cash on hand and at bank and short term deposits at call, net of outstanding bank overdrafts. Cash as at the end of the financial year as shown in the statements of cash flows is reconciled to the related items in the Balance Sheet as follows:

Cash Assets	15,845,898	15,248,310	15,058,547	15,015,636

(b) Reconciliation of profit from ordinary activities after income tax to net cash provided by operating activities

Profit from ordinary activities after income tax	(2,607,504)	(2,558,627)	(1,169,516)	(1,910,760)
Add/(less) non-cash items:				
Amortisation of Patent	22,373	14,009	22,373	14,009
Depreciation of property, plant & equipment	24,288	20,343	22,955	19,740
Increase/(Decrease) in sundry creditors	-	-	(91,766)	-
Net foreign exchange (gain)/loss - unrealised	48,103	(67,753)	48,224	(67,753)
Decrease/(Increase) in receivables	32,266	91,312	27,624	91,312
(Increase)/Decrease in prepayments	793	8,078	993	8,078
Increase/(Decrease) provision for doubtful debts	-	-	(11,932)	1,759
Increase/(Decrease) in trade creditors	(340,400)	435,003	(214,251)	404,868
Increase/(Decrease) in employee leave provisions	65,592	99,392	18,162	35,569
Share based payments	174,500	853,593	174,500	853,593
Income tax expense – non cash	113,584	39,514	113,584	39,514
Net cash provided by/(used in) operating activities	(2,466,405)	(1,065,136)	(1,059,050)	(510,072)

(c) Non cash financing

During 2008 the Company issued 1,000,000 shares at $2.00 per share to acquire intellectual property rights. The fair value at $2,000,000 has been capitalised as an intangible asset.

In 2009 the company issued 62,500 shares at $4.00 per share for capital raising services provided. The fair value of $250,000 has been offset against the equity raised.

21 Directors' and key management personnel's remuneration

2009 Primary Benefits	Directors Fees $	Salary $	Cash Bonus $	Super Contribution $	Total $
Directors					
Mr R M Kennedy	98,620	-	-	8,876	107,496
Mr R G Nelson	49,312	-	-	4,438	53,750
Mr R R French	-	286,350	47,472	-	333,822
Mr N J Smart	-	206,434	26,728	50,441	283,603
Mr D L Yakobson	53,750	-	-	-	53,750
	201,682	492,784	74,200	63,755	832,421

Notes to the Financial Statements
For the year ended 30 June 2009

2008 Primary Benefits	Directors Fees $	Salary $	Cash Bonus $	Super Contribution $	Total $
Directors					
Mr R M Kennedy	91,743	-	-	8,257	100,000
Mr R G Nelson	45,872	-	-	4,128	50,000
Mr R R French	-	276,000	150,000	-	426,000
Mr N J Smart	-	215,119	-	19,361	234,480
Mr D L Yakobson	50,000	-	-	-	50,000
	187,615	491,119	150,000	31,746	860,480

Other key management personnel remuneration

2009 Primary Benefits	Salary $	Bonus $	Super Contribution $	Share Based Payments $	Total $
Other key management personnel excluding Directors					
Other senior management	392,315	54,818	6,640	-	453,773

2008 Primary Benefits	Salary $	Bonus $	Super Contribution $	Share Based Payments $*	Total $
Other key management personnel excluding Directors					
Other senior management	259,474	-	20,458	234,417	514,349

**All options issued have been accounted for in accordance with AASB 2 share based payments, whereby the fair value of the remuneration component of the options issued is recognised as an expense.*

Directors and key management personnel's equity remuneration, holdings and transactions

The interests of directors of the reporting entity and their director-related entities in shares and share options of entities within the consolidated entity at year-end are set out below.

Shares	Balance 1/7/08	Received as Remuneration	Options Exercised	Net Change Other[1]	Balance 30/6/09
Held by Directors in own name					
Mr R M Kennedy	450,000	-	-	-	450,000
Mr R G Nelson	700,001	-	-	12,500	712,501
Mr R R French	2,208,652	-	343,000	12,500	2,564,152
Mr N J Smart	1,350,000	-	-	-	1,350,000
Mr D L Yakobson *	800,000	-	-	187,500	987,500
	5,508,653	-	343,000	212,500	6,064,153
Held by Directors' personally related entities					
Mr R M Kennedy	2,736,459	-	25,000	12,500	2,773,959
Mr R G Nelson	1,875,001	-	50,000	-	1,925,001
Mr R R French	1,000,000	-	-	-	1,000,000
Mr N J Smart	1,525,000	-	350,000	12,500	1,887,500
Mr D L Yakobson *	3,838,128	-	-	(175,000)	3,663,128
	10,974,588	-	425,000	(150,000)	11,249,588
Total held by Directors	16,483,241	-	768,000	62,500	17,313,741
Key management personnel excluding directors					
Senior management	22,250	-	200,000	-	222,250
Total	16,505,491	-	968,000	62,500	17,535,991

** 175,000 shares were transferred between a related entity of D L Yakobson and D L Yakobson*

Notes to the Financial Statements
For the year ended 30 June 2009

Options	Option Class*	Balance 1/7/08	Received as Remuneration	Options Exercised	Net Change Other	Balance 30/6/09	Total Vested 30/6/09	Total Exercisable 30/6/09
Held by Directors in own name								
Mr R M Kennedy	M	90,000	-	-	-	90,000	90,000	90,000
	N	130,000	-	-	-	130,000	130,000	130,000
Mr R G Nelson	M	140,000	-	-	-	140,000	140,000	140,000
	N	65,000				65,000	65,000	65,000
Mr R R French	E	1,000,000	-	-	-	1,000,000	1,000,000	1,000,000
	F	500,000		(343,000)	(157,000)	-	-	-
	M	441,730	-		-	441,730	441,730	441,730
	N	462,000	-	-	-	462,000	462,000	462,000
Mr N J Smart	E	500,000	-	-	-	500,000	500,000	500,000
	M	270,000	-	-	-	270,000	270,000	270,000
	N	201,000	-	-	-	201,000	201,000	201,000
Mr D L Yakobson	M	210,000	-	-	-	210,000	210,000	210,000
	N	65,000	-	-	-	65,000	65,000	65,000
		4,074,730	-	(343,000)	(157,000)	3,574,730	3,574,730	3,574,730
Directors' personally related entities								
Mr RM Kennedy	E	1,062,500	-	-	-	1,062,500	1,062,500	1,062,500
	F	25,000	-	(25,000)	-	-	-	-
	M	547,292	-	-	-	547,292	547,292	547,292
Mr RG Nelson	E	1,000,000	-	-	-	1,000,000	1,000,000	1,000,000
	F	50,000	-	(50,000)	-	-	-	-
	M	375,000	-	-	-	375,000	375,000	375,000
Mr R R French	M	200,000	-	-	-	200,000	200,000	200,000
Mr N J Smart	E	500,000	-	-	-	500,000	500,000	500,000
	F	650,000	-	(350,000)	(300,000)	-	-	-
	G	200,000	-	(200,000)	-	-	-	-
	H	100,000	-	(100,000)	-	-	-	-
	L	200,000	-	-	-	200,000	200,000	200,000
	M	380,000	-	-	-	380,000	380,000	380,000
Mr D L Yakobson	E	110,838	-	-	-	110,838	110,838	110,838
	I	630,000	-	-	-	630,000	630,000	630,000
	J	900,000	-	-	-	900,000	900,000	900,000
	K	1,425,000	-	-	-	1,425,000	1,425,000	1,425,000
	M	647,626	-	-	-	647,626	647,626	647,626
		8,978,256	-	(725,000)	(300,000)	7,978,256	7,978,256	7,978,256
Total held by Directors		13,052,986	-	(1,068,000)	(457,000)	11,552,986	11,552,986	11,552,986

Notes to the Financial Statements

For the year ended 30 June 2009

Key management personnel excluding Directors

Senior management	E	12,500	-	-	-	12,500	12,500	12,500
	G	100,000	-	(100,000)	-	-	-	-
	H	100,000	-	(100,000)	-	-	-	-
	M	329,450	-	-	-	329,450	329,450	329,450
	N	392,000	-	-	-	392,000	392,000	392,000
Total		933,950	-	(200,000)	-	733,950	733,950	733,950

**Option class*

Class	Exercise price	Exercise date
E	AU$1.00	Before 31 December 2012
I	$0.20	Before 31 December 2012
J	$0.25	Before 31 December 2012
K	$0.30	Before 31 December 2012
L	$1.00	Before 15 September 2009
M	$2.00	Before 31 December 2012
N	$2.00	Before 31 December 2012

22 Related parties

Directors

The names of each person holding the position of director of GTL Energy during the financial year are Messrs Robert Michael Kennedy, Robert Rex French, Reginald George Nelson, Dennis Lubin Yakobson and Nicholas John Smart.

Details of directors' remuneration and retirement benefits are set out in Note 21.

There were no new loans to Directors. The non-recourse loans granted in 2006 for 3,000,000 shares (including 200,000 to a former director) remain in place. These were accounted for in 2006 in accordance with AASB 2 share based payments and IFIRIC guidance and are not carried as an asset in the Balance Sheet.

Apart from the details disclosed in this note, no director has entered into a material contract with the Company or the consolidated entity since the end of the previous financial year and there were no material contracts involving directors' interests subsisting at year end.

Directors' transactions in shares and share options

The Company issued 830,500 ordinary shares to directors and director related parties. 1,068,000 options were exercised by directors and director related parties. 457,000 options were transferred by directors and director related parties or lapsed.

Directors' transactions with the Company or its controlled entities

A number of directors of the Company hold positions in controlled entities that result in them having control or significant influence over the financial or operating policies of these entities.

Other Directors' transactions with the Company

There were no other transactions between directors or director related parties and the Company.

Notes to the Financial Statements

For the year ended 30 June 2009

The aggregate amounts recognised during the year relating to directors and their director-related entities were as follows:

		Consolidated		The Company	
		2009	**2008**	**2009**	**2008**
Director	Transaction	$	$	$	$
N J Smart	12,500 shares (2008: 0 shares) were purchased by a director related entity at $4.00.	50,000	-	50,000	-
	350,000 shares (2008: 0 shares) were purchased by a director related entity by exercise of options at A$0.20	A$70,000	-	A$70,000	-
R R French	12,500 shares (2008: 0 shares) were purchased by director at $4.00.	50,000	-	50,000	-
	400,000 shares (2008: 0 shares) were purchased by a director by exercise of options at A$0.20	A$80,000	-	A$80,000	-
R G Nelson	12,500 shares (2008: 0 shares) were purchased by director at $4.00.	50,000	-	50,000	-
	50,000 shares (2008: 0 shares) were purchased by a director related entity by exercise of options at A$0.20	A$10,000	-	A$10,000	-
D L Yakobson	0 shares (2008: 350,00 shares) were issued to a director and director related entities at $2.00 as part of the settlement with Coal Solutions LLC.	-	700,000	-	700,000
	12,500 shares (2008: 0 shares) were purchased by director at $4.00.	50,000	-	50,000	-
R M Kennedy	12,500 shares (2008: 0 shares) were purchased by a director related entity at $4.00.	50,000	-	50,000	-
	25,000 shares (2008: 0 shares) were purchased by a director related entity by exercise of options at A$0.20	A$5,000	-	A$5,000	-

Notes to the Financial Statements

For the year ended 30 June 2009

Other related parties

	Note	Consolidated		The Company	
		2009 $	**2008** $	**2009** $	**2008** $
Aggregate amount of other transactions with non-director related parties:					
Loan advances to:					
Wholly-owned controlled entities *		-	-	9,472,862	1,165,396

**Loans to subsidiaries to fund operations were lent totalling $8,307,466 during the year.*

23 Segment reporting

The Company operates in the energy/technology segment in Australia, the United States and is also seeking deployment in New Zealand. For the year ended 30 June 2009 the USA segment became material.

The company's segmentation is geographic. A geographic segment is identified when products or services are provided within a particular economic environment subject to risks and returns that are different from those in other countries.

2009 Geographic Segments	AUS $	USA $	Intersegment Eliminations $	Consolidated $
Sales to customers outside consolidated entity	-	-	-	-
Intersegment revenue	291,220	350,963	(642,183)	-
Other revenue	310,840	58,079	-	368,919
Total Revenue	602,060	409,042	(642,183)	368,919
Depreciation and amortisation	45,328	7,318	-	52,646
Segment result	**(1,055,932)**	**(1,437,988)**	-	**(2,493,920)**
Segment assets	33,465,548	8,285,473	(9,672,862)	32,078,159
Additions to fixed assets	750,853	6,514,295	-	7,265,148
Segment liabilities	576,049	698,471	-	1,274,520

Notes to the Financial Statements

For the year ended 30 June 2009

The company does not have any differentiated business segments.

Segment information is prepared in conformity with the accounting policies of the entity as disclosed in note 1 and accounting standard AASB 114 Segment Reporting.

Segment revenues, expenses, assets and liabilities are those that are directly attributable to a segment. Segment assets include all assets used by a segment and consist primarily of operating cash, receivables, property, plant and equipment and intangibles assets, net of related provisions.

Segment liabilities consist primarily of trade and other creditors and employee benefit provisions.

24 Events subsequent to balance date

200,000 L class options expired on 15 September 2009.

Other than the matters discussed above, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity, in future financial years.

Directors' Declaration

1 In the opinion of the Directors of GTL Energy Ltd:

(a) the financial statements and notes, set out on pages 17 to 37, are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the financial position of the Company and consolidated entity as at 30 June 2009 and of their performance, as represented by the results of their operations and their cash flows, for the year ended on that date; and

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

Dated at Unley this 30th day of September 2009.

Signed in accordance with a resolution of the Directors:

Robert Michael Kennedy

Chairman

Grant Thornton

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INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF GTL ENERGY LIMITED

We have audited the accompanying financial report of GTL Energy Limited (the company) which comprises the balance sheet as at 30 June 2009, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error.

Grant Thornton

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF GTL ENERGY LIMITED Cont

Auditor's Responsibility Cont

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

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

Auditor's Opinion

In our opinion:

a the financial report of GTL Energy Limited is in accordance with the *Corporations Act 2001*, including:

  i. giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2009 and of their performance for the year ended on that date; and

  ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

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

GRANT THORNTON
South Australian Partnership
Chartered Accountants

J L Humphrey
Partner

Signed at Unley on this 30th day of September 2009

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EXHIBIT B

Home / News / North Dakota News

N.D. coal-drying plant to test New Zealand lignite

- Story
- Discussion

By JAMES MacPHERSON Associated Press Writer | Posted: Sunday, December 6, 2009 2:00 am | (0) Comments

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A million pounds of New Zealand lignite is en route to a southwestern North Dakota plant designed to remove water from the low-quality but abundant coal.

Once processed at the unique, new drying plant near South Heart, the fuel will be shipped back to the Southwest Pacific nation in chunks the size of barbecue briquettes, weighing at least one-third less, burning cleaner and producing more energy, said Robert French, the chief executive officer of GTL Energy USA Ltd.

Plentiful in North Dakota and other parts of the world, lignite can be used to fuel electric power plants. But it usually has a moisture content of 30 percent to 60 percent, meaning it is heavier and more costly to transport than other forms of coal.

"Lignite in its natural state can be one-third water," said Steve Van Dyke, a spokesman for Bismarck-based Lignite Energy Council. "For every three coal cars, the third one would be nothing but water."

Lignite is therefore typically mined next to a power plant to eliminate shipping costs.

The plant in North Dakota, operated by GTL Energy and slated to open at the end of December, aims to prove that new technology can remove much of that water content and impurities to make the fuel more cost efficient and increase its energy value. French said the company hopes the plant will reduce lignite water content to 10 percent using a process called benefication.

The plant, which is designed to process about 240,000 tons of lignite annually, is the first commercial-scale project of its kind.

"This is the only plant like it in the world," French said.

North Dakota's lignite deposits contain some 1.3 trillion tons but only about 25 billion tons of lignite can be recovered economically with current technology, said state geologist Ed Murphy. Nevertheless, even by the most conservative estimates North Dakota has more than 800 years' worth of lignite reserves.

Murphy said there are 150 billion tons of proven lignite reserves worldwide. Only Australia, with 37 billion tons of lignite reserves, has more than North Dakota, he said.

French would not disclose the price of the new plant or the cost of shipping the New Zealand lignite 8,000 miles to North Dakota and back. He said shipping the lignite to and from New Zealand was cheaper than building a test plant in that country.

French said a plant using GTL Energy's benefication technology may be built in New Zealand if the North Dakota test plant proves successful. The American plant is part of a joint venture between GTL Energy and Solid Energy, a mining company owned by the New Zealand government.

"They want to know exactly what their coal will do before sinking tens of million of dollars into the ground," French said.

GTL Energy USA Ltd. is a unit of GTL Energy Ltd. of Adelaide, South Australia, and the South Heart plant also expects to process a test shipment of Australian lignite early next year.

Solid Energy spokesman Brett Gamble said in a statement that dried lignite could be a higher-quality coal for New Zealand.

"We are excited about what their technology can do to utilize New Zealand's vast and relatively untapped South Island energy resource, in a cleaner way," Gamble's statement said.

French said the lignite would arrive from New Zealand in mid-January. It was loaded on an ocean freighter late last month and will be transferred by rail at a port in California or Texas, he said.

Wayde Schafer, a North Dakota spokesman for the Sierra Club, said he was unconvinced about the plant's potential.

"It remains to be seen whether it's a viable process to make lignite more efficient," Schafer said. "You're still going to be releasing pollutants into the air. We'd rather see renewable and alternative sources of fuel explored."

Posted in State-and-regional on *Sunday, December 6, 2009 2:00 am* | Tags:

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