



**GREENEARTH ENERGY LTD
ACN: 120 710 625
AND CONTROLLED ENTITIES**

**FINANCIAL REPORT
FOR THE HALF-YEAR ENDED
31 DECEMBER 2014**

This half-year financial report is to be read in
conjunction with the financial report for the
year ended 30 June 2014

**GREENEARTH ENERGY LTD AND CONTROLLED ENTITIES
FINANCIAL REPORT FOR THE HALF-YEAR ENDED
31 DECEMBER 2014**

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GREENEARTH ENERGY LTD AND CONTROLLED ENTITIES
ACN: 120 710 625
DIRECTORS' REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

The Directors present their report together with the condensed financial report of the consolidated entity consisting of Greenearth Energy Ltd and the entities it controlled, for the half-year ended 31 December 2014 and independent review report thereon. This financial report has been prepared in accordance with AASB 134 Interim Financial Reporting.

Directors names

The names of the directors in office at any time during or since the end of the half-year are:

<u>Name</u>	<u>Period of directorship</u>
Samuel R Marks	Director since 1 July 2012
Robert J Annells	Director since 13 July 2006
John T Kopcheff	Director since 13 July 2006
Philip Zajac	Director since 4 September 2014

The directors have been in office since the start of the financial period to the date of this report unless otherwise stated.

Review of operations

The consolidated loss of the group for the half-year after providing for income tax amounted to \$3,942,300 (2013: \$1,089,728 loss), which included a provision for impairment of \$2,152,288 (2013: nil) in relation to the company's geothermal exploration and evaluation assets.

FINANCIAL OVERVIEW

The first half of 2014/15 was focused very much on growth of the Vivid Industrial business and the beginning of commercialisation of NewCO2Fuels (NCF). Management invested in hiring sales and project delivery staff, along with rebranding to more accurately reflect our customer base.

The carrying amount of the company's geothermal exploration and evaluation assets has been reduced to nil in order to provide for the impairment of its Otway and Gippsland areas of interest. The company has assessed that, on balance, the current regulatory and political environment is unlikely to enable progression of its Victorian geothermal interests in the near future.

These drivers are reflected in our financial performance for the half as detailed in these accounts, including:

- Revenue and other income increased by 282% to \$594,298 (2013: \$155,767), driven largely by an increase in receipts from Vivid Industrial's energy efficiency customers.
- The consolidated loss for the period increased by 262% to \$3,942,300 (2013: \$1,089,728).
- Net cash used in operations during the period increased by 213% to an outflow of \$1,142,062 (2013: \$364,321 outflow).

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Review of operations (continued)

No shares were issued during the period ended 31 December 2014. The company issued a total of 6,200,000 unlisted options during the period.

During the period, the company issued 1,200,000 unlisted options over ordinary shares to employees pursuant to the company's Employee Option Plan, as follows:

<u>No. of options</u>	<u>Exercise price</u>	<u>Expiry date</u>
100,000	15 cents	30 September 2017
100,000	20 cents	30 September 2017
500,000	15 cents	30 June 2019
500,000	20 cents	30 June 2019
<u>1,200,000</u>		

During the period, the company issued 5,000,000 unlisted options over ordinary shares to the Managing Director for nil consideration as part of executive remuneration arrangements. These options expire on 30 September 2017 and have exercise prices of 15 cents (2,000,000 options) and 20 cents (3,000,000 options).

STRATEGY EXECUTION

Greenearth Energy saw the execution of key next steps in its long term strategy during the first half of FY15.

With the re-brand of our Energy Efficiency business to Vivid Industrial, along with our investment in the growth of sales and operations staff, Vivid Industrial delivered the most successful period in its history to date.

NewCO2Fuels('NCF'), the longer term CO2-to-fuels technology business, marched on towards commercialisation. During this first half, NCF received remarkable achievements across a number of countries, including:

- Winning the 2014 World Technology Network award for energy, following in the footsteps of Tesla Motors the previous year;
- Receiving government validation with grants received via the United States Department of Energy and Israeli Ministry of National Infrastructure, Energy and Water Resources;
- Being named by the Australian Government's Department of Industry and Science (formerly Bureau of Energy & Economics) as one of eighteen liquid fuel production technologies, for use up to the year 2050.

Whilst these businesses continued to move forwards, little progress was made with our geothermal projects during the half due to the current regulatory and political environment for the geothermal industry in Victoria. The company has been granted relief from its geothermal work program requirements, which it considered prudent in the short term in the current industry environment. Consequently, geothermal activities have had a reduced focus during this period.

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Review of operations (continued)

BUSINESS UNIT UPDATES

In line with the financial reports included behind this summary, the three key units above are identified within the following segment reporting units:



Vivid Industrial

During the half, our Industrial Energy Efficiency business (formerly Greenearth Energy Efficiency) rebranded to Vivid Industrial to better reflect the company's key competency and pedigree as a trusted leader in customised industrial lighting solutions which deliver quantifiable cost efficiencies, energy savings and reduced CO2 emissions. Importantly, the company saw strong growth in the first half of the financial year, on the back of expanding our sales capability. Our focus in the first half was to target the large developers and multi-site industrial corporations. The results are beginning to show that the strategy is being well received by this customer base and we look forward to seeing more results in the second half.

The highlights for the first half included:

- Rebrand from Greenearth Energy Efficiency to Vivid Industrial, more appropriately reflecting our offering to customers;
- Supplied intelligent LED lighting systems to multiple new customers for interstate construction projects, saving customers over 60% of lighting energy costs compared to competitors' designs;
- Supplied a SmartHID lighting solution to a logistics facility, another project for Australia's largest Industrial developer and owner;
- Ongoing development of new R&D for our core industry focus; and
- Project opportunity pipeline strengthening for 2015, with potential large scale opportunities across retail, logistic, infrastructure and intermodal operations in both Australia and internationally.

Further detail on all of these key highlights can be found in the Quarterly reports for both September and December 2014.

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Review of operations (continued)



Customer sites which were delivered during the half included a retrofit for Schweppes Australia (Asahi Beverages Group), new Linfox development site, along with multiple Goodman Group sites and an international healthcare company. These sites have been well received by our customers with savings achieved of over 60% of their lighting energy costs on sites. During the half, Vivid Industrial supplied more wireless communication systems, linking the hardware on site to the corporate head offices with cloud based technologies. The results delivered by our systems to offsite customer management teams, has seen additional tangible savings achieved for our customers, and brought repeat site opportunities as a result of these successful deployments.



The second half of FY15 is looking very promising with a strengthening sales opportunity pipeline and growing interest from local and overseas industrial corporations and government organisations. It is a very exciting time for the team and they should be commended for their extraordinary efforts to build a world leading platform. We are looking forward to sharing further results in due course.

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Review of operations (continued)

NewCO2Fuels

NewCO2Fuels (NCF) proved its world-leading CO₂-to-fuels technology at scale in the previous financial year. This year was always going to be a period of change and growth as the team went from proving the science to commercialising in conjunction with global players. These conglomerates would need to see environmental, technological and financial benefits for their businesses. Based on the external validation achieved in the first half, the team is well down the path to successfully commercialising this technology.



Assembling the NCF reactor in the Weizmann Institute



NCF Solar Field - Weizmann Institute Israel



Oversight of Excess Heat Reactor Results - Weizmann Institute

The highlights for the first half included:

- Winning the 2014 World Technology Network award for Energy;
- Signing a Memorandum of Understanding with one of the world's largest steel manufacturers to explore the opportunity to utilise excess heat from the steel industry to produce fuel and set up a pilot within 24 months at the manufacturer's site;
- Establishment of a collaboration agreement with Alstom Power, a global conglomerate, to partner on product development - subsequently receiving funding from the United States Department of Energy for a project with Alstom, NCF & the Illinois Clean Coal Institute;
- Greenearth secured its investment of 33.33 per cent of NewCO2Fuels;
- Inclusion in Australian Liquid Fuels Technology Assessment by the Australian Federal Government;
- Winning the B.I.R.D foundation grant in partnership with the US based Acumentrics;
- Positive independent technology review assessment by Technip; and
- Awarded a grant by the Israeli Department of Energy.

Out of all the highlights outlined in the long list above, special mention should be given to winning the World Technology Network Award for energy, which was presented at a ceremony in New York in November. NCF joined a prestigious list of past winners including 3M, Amazon, Apple, Dow Chemical Company, Facebook, Google, Honda, IBM, Qualcomm, Skype, Tesla Motors, Toyota, The Weizmann Institute of Science and YouTube.

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Review of operations (continued)

When combined with the collaboration with Alstom (one of the world's largest companies) to develop a pilot plant, plus the pilot plant already underway with the world's largest steel manufacturer, the signs of developing a commercialised and proven technology are very promising.

This next stage of commercialization, which is well underway, involves taking NCF from a proven science to a commercialised saleable product on a global scale. The second half of 2014/15 will focus on executing the current pilots and collaboration opportunities, as well as reviewing new opportunities to partner with technology developers and establish additional pilots with an industry focus.



NCF CEO David Banitt after accepting the 2014 World Technology Award for Energy in New York in November



Entertaining a delegation at the solar technology demonstration unit in Israel



NCF CEO David Banitt speaking at the 2014 Gasification Technologies Conference in Washington in October

Geothermal Energy

The Victorian government currently has a moratorium on hydraulic fracturing and well activity.

This moratorium was due for review in mid 2015, lifting the moratorium would assist the geothermal industry to continue its exploration and investment in this sector in Victoria. Despite the change of state government in November 2014, there is still a lack of action and consequently an increased level of uncertainty which has resulted in Greenearth not investing additional capital into its geothermal business at this point in time.

Furthermore, in the last weeks of 2014, Greenearth received notification from Melbourne University that the grant application to ARENA (Australian Renewable Energy Agency) for our Latrobe Valley permits had been unsuccessful. The application was to request funding to assist in de-risking the geothermal drilling in an insulated hot sedimentary basin, such as the Latrobe Valley. Unfortunately, ARENA did not believe this was worthy of supporting Melbourne University, Monash University or Greenearth Energy, due to the concern the information was too specific to the Latrobe Valley and not beneficial to the Geothermal Industry as a whole.

On the 27th of January 2015, the new Victorian Government stated that a parliamentary enquiry would take place into drilling and hydraulic fracturing. The new Minister for Energy noted that the existing moratorium would likely be in place until mid-2016. The company has assessed that, on balance, the current regulatory and political environment is unlikely to enable progression of its Victorian geothermal interests in the near future. Consequently, the carrying amount of exploration and evaluation assets has been reduced by \$2,152,288 to nil in order to provide for the impairment of the company's Otway and Gippsland areas of interest.

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Review of operations (continued)

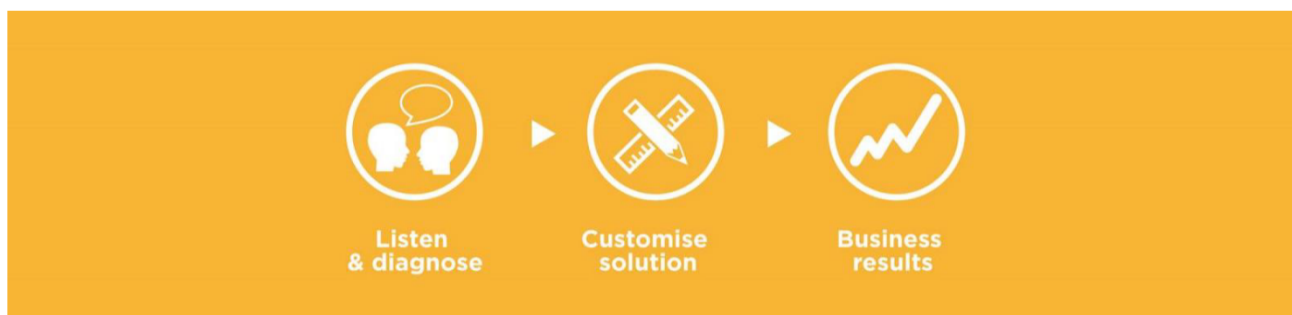
ABOUT EACH BUSINESS UNIT



Vivid Industrial is a lighting solutions business which is wholly owned by Greenearth Energy Ltd. This business provides customised, intelligent and energy efficient luminaire and lighting control solutions. We work with industrial and infrastructure businesses to craft a complete lighting solution that reduces costs and energy usage, now and longer term. We are a forerunner in the region for the development of the "Internet of Lights" model, closely aligned to the ever growing "Internet of Things".

The Vivid Industrial team has a wealth of experience across technology design, engineering and project management. We partner with businesses to first understand their needs and operations. Then, we provide the right solutions.

The business delivers industrial lighting and technology solutions that, put simply, make sense and meet an organisation's true needs.



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Review of operations (continued)



In June 2014, Greenearth Energy Ltd (Greenearth) advised that the Group had further negotiated details of its investment in NewCo2Fuels Israel (NCF) to acquire up to 33.33 percent. Under this agreement, Greenearth commenced payments to NCF, with the first instalment in June 2014 and the remainder of the USD\$3m investment now due by the end of 30 June 2015. The investment is subject to partial claw-back by NCF should less than USD\$3m be ultimately invested by Greenearth, the maximum possible claw-back would result in the Group retaining an interest of 19.68% instead of 33.33%.

On completion of the investment, Erdi Fuels Pty Ltd (Erdi Fuels) and Greenearth will be equal shareholders in NCF at 33.33 percent each and the remaining percentage of NCF Shares will continue to be held by founders, current staff and Yeda Research & Development Co. Ltd. (Yeda), based at the Weizmann Institute in Israel.

The CO₂ to fuel conversion technology concept, successfully developed and proven in laboratory trials in Israel by Professor Jacob Karni and his group at the Weizmann Institute of Science, involves a new method of using concentrated solar energy for the dissociation of Carbon dioxide (CO₂) to Carbon monoxide (CO) and Oxygen (O). The same system can also dissociate water (H₂O) to Hydrogen (H₂) and Oxygen (O), at the same time it dissociates the CO₂. CO, or the mixture of CO and H₂ (called Syngas) can then be used as a gaseous fuel (e.g. in power plants), or converted to liquid fuel (e.g. methanol or other transportation fuels) which has the potential to be stored, transported and used in motor vehicles. Oxygen produced can be used in the combustion of the clean fuel or elsewhere.



GREENEARTH ENERGY LTD AND CONTROLLED ENTITIES
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Review of operations (continued)



In March 2014 Greenearth Energy received Victorian Government relief from the work permit requirements for our three Australian Geothermal leases (identified below). The relief extends until May 2015, at which point Greenearth is entitled to apply to extend it into the future.

In the last weeks of 2014, Greenearth received notification from Melbourne University that the grant application to ARENA (Australian Renewable Energy Agency) for our Latrobe Valley permits had been unsuccessful. The application was to request funding to assist in de-risking the geothermal drilling in an insulated hot sedimentary basin, such as the Latrobe Valley. Unfortunately, ARENA did not believe this was worthy of supporting Melbourne University, Monash University or Greenearth Energy, due to the concern the information was too specific to the Latrobe Valley and not beneficial to the Geothermal Industry as a whole.

Greenearth Energy is subsequently discussing the next steps for the industry with other Geothermal parties, profit and not-for-profit sectors, and the new Victorian Government.

The prolonged discussions with the Victorian Government led to Greenearth submitting three requests for suspension and extension for all our current exploration permits as follows:

- **Geothermal Exploration Permit 10**
(located in the greater Geelong / Anglesea region)
Suspended through May 2015
- **Geothermal Exploration Permit 12**
(located in the greater Latrobe Valley region)
Suspended through May 2015
- **Geothermal Exploration Permit 13**
(located in the greater Latrobe Valley region)
Suspended through May 2015

Greenearth's decision to apply for suspension and extension of its permit conditions was influenced by the lack of geothermal funding by Government (following withdrawal of funding for Greenearth's flagship geothermal project by the Victorian Government in 2013), and by current government policy relating to a moratorium on "fracking" (hydraulic stimulation) and well activity.

On the 27th of January 2015, the new Victorian Government stated a further review on the moratorium would take place. The new Minister for Energy noted the moratorium would likely be in place until mid-2016. The company has assessed that, on balance, the current regulatory and political environment is unlikely to enable progression of its Victorian geothermal interests in the near future.

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Significant changes in the state of affairs

In the opinion of the directors, there were no significant changes in the state of affairs of the group that occurred during the half year under review not otherwise disclosed in this report of the financial statements.

Subsequent events

No matter or circumstance has arisen since balance date that has significantly affected or may significantly affect the company's operations, results of those operations or state of affairs in future financial years, except as disclosed elsewhere in this half year financial report.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* in relation to the review for the half-year is provided with this report.

Signed in accordance with a resolution of the directors.



Samuel R Marks
Managing Director
Greenearth Energy Ltd
Dated this 13th day of March 2015



GREENEARTH ENERGY LTD
AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF GREENEARTH ENERGY LTD AND CONTROLLED ENTITIES

In relation to the independent review for the half-year ended 31 December 2014, to the best of my knowledge and belief there have been:

- (i) No contraventions of the auditor independence requirements of the *Corporations Act 2001*; and
- (ii) No contraventions of any applicable code of professional conduct.

M J HARRISON
Partner

13 March 2015

PITCHER PARTNERS
Melbourne

GREENEARTH ENERGY LTD AND CONTROLLED ENTITIES
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CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

		Half-year	
	Notes	2014	2013
		\$	\$
Revenue and Other Income			
Sales revenue		439,382	103,243
Gain on fair value of investments		5,496	10,206
Other income		149,420	42,318
		<u>594,298</u>	<u>155,767</u>
Less: Expenses			
Employee benefits expenses		(936,140)	(457,648)
Costs incurred in the sale of inventories		(416,343)	(73,913)
Depreciation expense		(4,292)	(6,380)
Finance costs		(3,246)	(1,933)
Accounting and audit expenses		(19,040)	(52,739)
Marketing and promotion expenses		(62,207)	(11,726)
Rent and occupancy expenses		(60,819)	(68,167)
Consulting expenses		(69,592)	(8,906)
Foreign exchange losses		(24,351)	(8,105)
Impairment expense	5	(2,152,288)	-
Administrative expenses		(244,032)	(177,213)
Other expenses		(112,590)	(23,783)
Total Expenses		<u>(4,104,940)</u>	<u>(890,513)</u>
Share of profit/(loss) of associates accounted for using the equity method		<u>(431,658)</u>	<u>(354,982)</u>
Loss before income tax expense		(3,942,300)	(1,089,728)
Income tax expense		-	-
Loss for the half-year		<u>(3,942,300)</u>	<u>(1,089,728)</u>
Total comprehensive income for the half year		<u>(3,942,300)</u>	<u>(1,089,728)</u>
Loss is attributable to:			
Members of Greenearth Energy Ltd		(3,942,300)	(1,089,728)
Non-controlling interests		-	-
		<u>(3,942,300)</u>	<u>(1,089,728)</u>
Earnings per share for profit attributable to the equity holders of the parent entity:			
Basic loss per share (cents per share)		(2.00)	(0.83)
Diluted loss per share (cents per share)		(2.00)	(0.83)

The accompanying notes form part of these financial statements

GREENEARTH ENERGY LTD AND CONTROLLED ENTITIES
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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2014

		31 December 2014	30 June 2014
	Notes	\$	\$
CURRENT ASSETS			
Cash and cash equivalents		1,441,580	3,187,415
Receivables		140,169	353,925
Financial assets at fair value through profit or loss		21,198	15,702
Inventories		467,623	497,511
Other financial assets		54,124	54,124
Other current assets		70,545	8,716
TOTAL CURRENT ASSETS		2,195,239	4,117,393
NON-CURRENT ASSETS			
Equity accounted investments	4	786,383	1,190,577
Property, plant and equipment		85,233	28,544
Exploration and evaluation assets	5	-	2,146,783
TOTAL NON-CURRENT ASSETS		871,616	3,365,904
TOTAL ASSETS		3,066,855	7,483,297
CURRENT LIABILITIES			
Payables		902,484	891,620
Other financial liabilities		-	530,786
Provisions		76,382	64,424
TOTAL CURRENT LIABILITIES		978,866	1,486,830
NON-CURRENT LIABILITIES			
Provisions		29,054	25,372
TOTAL NON-CURRENT LIABILITIES		29,054	25,372
TOTAL LIABILITIES		1,007,920	1,512,202
NET ASSETS		2,058,935	5,971,095
EQUITY			
Share capital		19,716,215	19,716,215
Reserves		(7,381)	(37,521)
Accumulated losses		(17,609,562)	(13,667,262)
EQUITY ATTRIBUTABLE TO THE OWNERS OF GREENEARTH ENERGY LTD		2,099,272	6,011,432
Non-controlling interest		(40,337)	(40,337)
TOTAL EQUITY		2,058,935	5,971,095

The accompanying notes form part of these financial statements

GREENEARTH ENERGY LTD AND CONTROLLED ENTITIES
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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

	Share Capital \$	Reserves \$	Accumulated Losses \$	Non- controlling interest \$	Total Equity \$
Consolidated					
Balance at 1 July 2014	19,716,215	(37,521)	(13,667,262)	(40,337)	5,971,095
Loss for the half year	-	-	(3,942,300)	-	(3,942,300)
Total comprehensive income for the half year	-	-	(3,942,300)	-	(3,942,300)
Transactions with owners in their capacity as owners:					
Contributions	-	-	-	-	-
Equity based payments	-	30,140	-	-	30,140
Transactions with owners in their capacity as owners	-	30,140	-	-	30,140
Balance at 31 Dec 2014	<u>19,716,215</u>	<u>(7,381)</u>	<u>(17,609,562)</u>	<u>(40,337)</u>	<u>2,058,935</u>
Balance at 1 July 2013	15,242,580	(248,534)	(13,441,150)	(40,337)	1,512,559
Loss for the half year	-	-	(1,089,728)	-	(1,089,728)
Total comprehensive income for the half year	-	-	(1,089,728)	-	(1,089,728)
Transactions with owners in their capacity as owners:					
Contributions	693,498	-	-	-	693,498
Equity based payments	-	37,764	-	-	37,764
Transactions with owners in their capacity as owners	693,498	37,764	-	-	731,262
Balance at 31 Dec 2013	<u>15,936,078</u>	<u>(210,770)</u>	<u>(14,530,878)</u>	<u>(40,337)</u>	<u>1,154,093</u>

The accompanying notes form part of these financial statements

GREENEARTH ENERGY LTD AND CONTROLLED ENTITIES
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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

	Half-year	
	2014	2013
	\$	\$
CASH FLOW FROM OPERATING ACTIVITIES		
Receipts	492,796	388,262
Payments to suppliers and employees	(1,948,508)	(1,037,301)
Research and development rebates received	310,077	281,756
Interest received	3,573	2,962
Net cash used in operating activities	<u>(1,142,062)</u>	<u>(364,321)</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(60,980)	(4,952)
Purchase of unlisted securities	(565,445)	(26,177)
Payments for bonds and deposits	(54,124)	(54,124)
Proceeds from matured bonds and deposits	54,124	54,124
Net cash used in investing activities	<u>(626,425)</u>	<u>(31,129)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issues of ordinary shares	-	693,498
Advance from issue of option	-	250,000
Net cash provided by investing activities	<u>-</u>	<u>943,498</u>
Net increase / (decrease) in cash and cash equivalents	(1,768,487)	548,048
Foreign exchange differences on cash holdings	22,652	(603)
Cash and cash equivalents at beginning of the half-year	3,187,415	333,608
Cash and cash equivalents at end of the half-year	<u><u>1,441,580</u></u>	<u><u>881,053</u></u>

The accompanying notes form part of these financial statements

GREENEARTH ENERGY LTD AND CONTROLLED ENTITIES

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NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS 31 DECEMBER 2014

NOTE 1: BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT

This half-year financial report does not include all the notes of the type usually included in an annual financial report.

It is recommended that this half-year financial report be read in conjunction with the annual financial report for the year ended 30 June 2014 and any public announcements made by Greenearth Energy Ltd during the half-year in accordance with any continuous disclosure obligations arising under the *Corporations Act 2001*.

Greenearth Energy Ltd is a for-profit entity for the purpose of preparing the financial statements.

The half-year financial report was authorised for issue by the directors as at the date of the directors' report.

(a) Basis of preparation

This half-year financial report has been prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The half-year financial report has been prepared under the historical cost convention, as modified by revaluations to fair value for certain classes of assets as described in the accounting policies.

The accounting policies applied in this half-year financial report are consistent with those of the annual financial report for the year ended 30 June 2014 and the corresponding half-year except as described below in Note 1(c).

(b) Going Concern

The Directors have prepared the financial report on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

The consolidated entity incurred a net loss for the half year of \$3,942,300 (2013: \$1,089,728) including an impairment loss of \$2,152,288 (2013: nil) on its exploration assets, and at the reporting date total assets exceeded total liabilities by \$2,058,935 (30 June 2014: \$5,971,095), including exploration and evaluation assets of nil (30 June 2014: \$2,146,783).

The Directors have determined that to maintain and grow operations there is likely to be a net cash requirement of \$2.4m over the forthcoming 12 months, after allowing for existing cash reserves and forecast trading cash flows. The Directors anticipate that this potential net cash requirement of \$2.4m is to be funded by raising sufficient additional capital, obtaining other finance or achieving sufficient trading results. A failure to raise capital or obtain other finance would raise significant doubt over the company's ability to continue as a going concern.

The forecast trading performance (and consequent cash flow contribution) of Vivid Industrial, an operating business within the group, over the next 12 months is based on certain assumptions in relation to the short-term development of the business. These assumptions relate to the expected future revenue and profitability of Vivid Industrial during that time and are based on currently available information including management assessments of probable future orders and other information.

GREENEARTH ENERGY LTD AND CONTROLLED ENTITIES

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NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS 31 DECEMBER 2014

(b) Going Concern (continued)

Accordingly, the application of the going concern basis is dependent on the consolidated entity achieving forecast trading cash flows and raising sufficient additional capital.

The financial report does not include any adjustment relating to the recoverability or classification of recorded asset amounts nor to the amounts or classification of liabilities that might be necessary should the consolidated entity be unable to trade as forecast or to raise sufficient funding to continue as a going concern.

If the going concern basis of accounting is found to no longer be appropriate, the recoverable amount of the assets shown in the Consolidated Statement of Financial Position are likely to be significantly less than the amounts disclosed and the extent of liabilities may differ significantly from those reflected.

(c) Summary of the significant accounting policies

The group did not have to materially change its accounting policies or make retrospective adjustments as a result of the adoption of new or amended accounting standards becoming applicable for the current reporting period.

The likely impact of certain new accounting pronouncements issued but not yet effective at 31 December 2014 is outlined in the annual financial report for the year ended 30 June 2014.

AASB 15 *Revenue from Contracts with Customers* has also been issued but is not required to be adopted by the company until 1 July 2017. AASB 15 outlines requirements for recognition, measurement and disclosure of revenues based on the satisfaction of performance obligations under contracts with customers. Based on the company's preliminary assessment, AASB 15 is not expected to materially impact the measurement of amounts within the financial report. The company plans to further assess the potential impact of AASB 15 prior to its adoption.

A number of other standards and interpretations have been issued at the reporting date but are not yet effective. When adopted, these standards and interpretations may impact on the financial information presented. However the assessment of impact has not yet been completed.

GREENEARTH ENERGY LTD AND CONTROLLED ENTITIES
ACN: 120 710 625
NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS 31 DECEMBER 2014

NOTE 2: DIVIDENDS

No dividends have been paid or provided for during the half-year.

NOTE 3: SEGMENT INFORMATION

(a) Description of segments

The group has five reportable segments. The Group holds, or is interested in geothermal acreage or projects which operate in different geographical settings. These settings can be clearly identified by the country they are situated in, or if they exist within Australia, the geological basin they are contained in. A brief description of each identified segment is detailed below. Corporate head office and administration costs are not allocated to segments.

Segment 1: Geothermal - Otway Basin

The Otway Basin extends along the Southern Margin across Victoria and South Australia. The Basin covers an area of approximately 150,000km² of which 35% is onshore. Greenearth Energy's GEP10 is contained within the Otway Basin.

Segment 2: Geothermal - Gippsland Basin

The Gippsland Basin covers approximately 56,000 km² of South Eastern Victoria, of which approximately 16,000km² lies onshore. Greenearth Energy's GEP 12 and 13 permits are located within the Basin.

Segment 3: Geothermal - Indonesia

Greenearth Energy Group is exploring the possibility of geothermal development projects within the country of Indonesia. Indonesia is a widely recognised geothermal province.

Segment 4: Energy Efficiency

Greenearth Energy Group via its subsidiary, Vivid Industrial Pty Ltd (formerly Greenearth Energy Efficiency Pty Ltd) provides intelligent and energy efficient lighting solutions to industrial and infrastructure businesses in Australia and the Pacific Rim.

Segment 5: Other Projects

This segment includes other non-geothermal investments or projects, which Greenearth Energy Ltd has either invested in but have not been fully expanded into a distinct business segment, or technologies or project that are currently being considered. This segment includes the consolidated entity's investment in NewCO2Fuels Ltd.

GREENEARTH ENERGY LTD AND CONTROLLED ENTITIES
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NOTE 3: SEGMENT INFORMATION (continued)

(b) Segment information

2014	Geothermal - Otway Basin \$	Geothermal - Gippsland Basin \$	Geothermal - Indonesia \$	Energy Efficiency \$	Other Projects \$	Total \$
Segment revenue						
Total segment revenue	-	59,920	-	472,823	-	532,743
Inter-segment revenue	-	-	-	-	-	-
Segment revenue from external source	-	59,920	-	472,823	-	532,743
Segment result						
Total segment result	(619,334)	(1,473,034)	(15,199)	(519,905)	(416,459)	(3,043,931)
Inter-segment eliminations	-	-	-	-	-	-
Segment result from external source	(619,334)	(1,473,034)	(15,199)	(519,905)	(416,459)	(3,043,931)
Total segment assets	-	-	53,663	567,134	740,953	1,361,750
Total segment liabilities	-	15,000	-	407,199	-	422,199
2013	Geothermal - Otway Basin \$	Geothermal - Gippsland Basin \$	Geothermal - Indonesia \$	Energy Efficiency \$	Other Projects \$	Total \$
Segment revenue						
Total segment revenue	-	-	-	103,243	-	103,243
Inter-segment revenue	-	-	-	-	-	-
Segment revenue from external source	-	-	-	103,243	-	103,243
Segment result						
Total segment result	-	-	(11,992)	(345,627)	(465,853)	(823,472)
Inter-segment eliminations	-	-	-	-	-	-
Segment result from external source	-	-	(11,992)	(345,627)	(465,853)	(823,472)
Total segment assets	613,489	1,520,912	32,456	982,631	1,920,091	5,069,579
Total segment liabilities	-	15,000	-	886,950	3,610,921	4,512,871

GREENEARTH ENERGY LTD AND CONTROLLED ENTITIES

ACN: 120 710 625

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS 31 DECEMBER 2014

		Half-year	
	Notes	2014	2013
		\$	\$
NOTE 3: SEGMENT INFORMATION (continued)			
(b) Segment information (continued)			
<i>(i) Reconciliation of segment result from the external source to the consolidated statement of comprehensive income</i>			
Segment result from external source		(3,043,931)	(823,472)
Interest revenue		4,771	2,404
Interest expense		-	-
Depreciation and amortisation		(4,292)	(6,380)
Share of profit/(loss) of associates accounted for by the equity method		(431,658)	(354,982)
Net foreign exchange loss		(24,351)	-
Unallocated revenue and gains		6,005	50,120
Unallocated expenses		(448,844)	42,582
Total loss before income tax		<u>(3,942,300)</u>	<u>(1,089,728)</u>

NOTE 4: EQUITY ACCOUNTED INVESTMENTS

Equity accounted associated entities	<u>786,383</u>	<u>1,190,577</u>
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Included within equity accounted investments is the group's investment in NewCO2Fuels Ltd (incorporated in Israel) of \$740,953 (30 June 2014: \$1,157,412). During the period, this carrying amount was reduced by \$416,459 (2013: \$342,990), being the group's share of the net loss of that associate for the period.

NOTE 5: EXPLORATION AND EVALUATION ASSETS

At cost	2,152,288	2,146,783
less provision for impairment	<u>(2,152,288)</u>	<u>-</u>
	<u>-</u>	<u>2,146,783</u>

The carrying amount of exploration and evaluation assets has been reduced to nil in order to provide for the impairment of the company's Otway and Gippsland areas of interest. The company has assessed that, on balance, the current regulatory and political environment is unlikely to enable progression of its Victorian geothermal interests in the near future.

The Victorian government has recently indicated that the political outlook for the geothermal industry in the state is unlikely to improve until at least mid-2016, pending a thorough parliamentary inquiry into conventional and unconventional drilling.

Should the company be in a position to make a more positive assessment in the future, the provision for impairment may be reversed if the applicable criteria are met. The ultimate recoupment of exploration and evaluation assets is dependent on the successful development and commercial exploitation or sale of the respective areas of interest.

GREENEARTH ENERGY LTD AND CONTROLLED ENTITIES
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NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS 31 DECEMBER 2014

NOTE 6: CONTRIBUTED CAPITAL

No shares were issued during the period ended 31 December 2014. The company issued a total of 6,200,000 unlisted options during the period.

During the period, the company issued 1,200,000 unlisted options over ordinary shares to employees pursuant to the company's Employee Option Plan, as follows:

<u>No. of options</u>	<u>Exercise price</u>	<u>Expiry date</u>
100,000	15 cents	30 September 2017
100,000	20 cents	30 September 2017
500,000	15 cents	30 June 2019
500,000	20 cents	30 June 2019
<u>1,200,000</u>		

During the period, the company issued 5,000,000 unlisted options over ordinary shares to the Managing Director for nil consideration as part of executive remuneration arrangements. These options expire on 30 September 2017 and have exercise prices of 15 cents (2,000,000 options) and 20 cents (3,000,000 options).

NOTE 7: RELATED PARTY TRANSACTIONS

Where applicable, significant related party transactions are disclosed in the relevant notes to the half-year financial statements.

NOTE 8: CONTINGENT LIABILITIES

There have been no changes in contingent liabilities since 30 June 2014.

NOTE 9: SUBSEQUENT EVENTS

No matter or circumstance has arisen since balance date that has significantly affected or may significantly affect the company's operations, results of those operations or state of affairs in future financial years, except as disclosed elsewhere in this half year financial report.

NOTE 10: FAIR VALUE MEASUREMENTS

(a) Fair value hierarchy

Assets and liabilities measured and recognised at fair value have been determined by the following fair value measurement hierarchy:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: Input other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3: Inputs for the asset or liability that are not based on observable market data

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NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS 31 DECEMBER 2014

NOTE 10: FAIR VALUE MEASUREMENTS (continued)

31 Dec 2014	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$

Recurring Fair Value Measurements

Financial assets

Financial assets at fair value through profit and loss	21,198	-	-	21,198
Total financial assets	<u>21,198</u>	<u>-</u>	<u>-</u>	<u>21,198</u>

31 Dec 2013	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$

Recurring Fair Value Measurements

Financial assets

Financial assets at fair value through profit and loss	18,842	-	-	18,842
Total financial assets	<u>18,842</u>	<u>-</u>	<u>-</u>	<u>18,842</u>

(b) Transfers between level 1 and level 2

There were no transfers between level 1 and level 2 during the period.

GREENEARTH ENERGY LTD AND CONTROLLED ENTITIES
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DIRECTORS' DECLARATION

The directors declare that the financial statements and notes set out on pages 12 to 22 in accordance with the *Corporations Act 2001* :

- (a) Comply with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001, and other mandatory professional reporting requirements; and
- (b) Give a true and fair view of the financial position of the consolidated entity as at 31 December 2014 and of its performance for the half-year ended on that date.

In the directors' opinion there are reasonable grounds to believe that Greenearth Energy Ltd will be able to pay its debts as and when they become due and payable.

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



Samuel R Marks
Managing Director
Greenearth Energy Ltd
Dated this 13th day of March 2015



**GREENEARTH ENERGY LTD
ACN: 120 710 625
AND CONTROLLED ENTITIES**

**INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF
GREENEARTH ENERGY LTD**

We have reviewed the accompanying half-year financial report of Greenearth Energy Ltd and controlled entities, which comprises the condensed statement of financial position as at 31 December 2014, the condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the period's end or from time to time during the half year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors' determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Greenearth Energy Ltd, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

**GREENEARTH ENERGY LTD
ACN: 120 710 625
AND CONTROLLED ENTITIES**

**INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF
GREENEARTH ENERGY LTD**

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Greenearth Energy Ltd and controlled entities is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Emphasis of Matter in relation to Going Concern

Without modifying our conclusion expressed above, attention is drawn to the matters set out in Note 1(b) – Going Concern in the financial report.

The Directors have prepared the financial report on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

The consolidated entity incurred a net loss for the half year of \$3,942,300 (2013: \$1,089,728) including an impairment loss of \$2,152,288 (2013: nil) on its exploration assets, and at the reporting date total assets exceeded total liabilities by \$2,058,935 (30 June 2014: \$5,971,095), including exploration and evaluation assets of nil (30 June 2014: \$2,146,783).

The Directors have determined that to maintain and grow operations there is likely to be a net cash requirement of \$2.4m over the forthcoming 12 months, after allowing for existing cash reserves and forecast trading cash flows. The Directors anticipate that this potential net cash requirement of \$2.4m is to be funded by raising sufficient additional capital, obtaining other finance or achieving sufficient trading results. A failure to raise capital or obtain other finance would raise significant doubt over the company's ability to continue as a going concern.

The forecast trading performance (and consequent cash flow contribution) of Vivid Industrial, an operating business within the group, over the next 12 months is based on certain assumptions in relation to the short-term development of the business. These assumptions relate to the expected future revenue and profitability of Vivid Industrial during that time and are based on currently available information including management assessments of probable future orders and other information.



**GREENEARTH ENERGY LTD
ACN: 120 710 625
AND CONTROLLED ENTITIES**

**INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF
GREENEARTH ENERGY LTD**

Accordingly, the application of the going concern basis is dependent on the consolidated entity achieving forecast trading cash flows and raising sufficient additional capital.

The financial report does not include any adjustment relating to the recoverability or classification of recorded asset amounts nor to the amounts or classification of liabilities that might be necessary should the consolidated entity be unable to trade as forecast or to raise sufficient funding to continue as a going concern.

If the going concern basis of accounting is found to no longer be appropriate, the recoverable amount of the assets shown in the Consolidated Statement of Financial Position are likely to be significantly less than the amounts disclosed and the extent of liabilities may differ significantly from those reflected.

M J HARRISON
Partner

13 March 2015

PITCHER PARTNERS
Melbourne