# 2015

ANNUAL REPORT YEAR ENDED 30 JUNE 2015

Greenearth Energy Ltd.

# GREENEARTH ENERGY LTD CORPORATE INFORMATION

| | |
|---|---|
| DIRECTORS | Robert J. Annells (Chairman)<br>Samuel R. Marks (Managing Director)<br>John T. Kopcheff (Non-executive Director)<br>Philip Zajac (Non-executive Director) |
| COMPANY SECRETARY | Robert Smith |
| REGISTERED OFFICE | Level 14<br>500 Collins Street<br>Melbourne, Victoria, 3000 |
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| LEGAL ADVISORS | Baker & McKenzie<br>Level 19, CBW<br>181 William Street<br>Melbourne, Victoria, 3000 |
| AUDITORS | Pitcher Partners<br>Level 19, 15 William Street<br>Melbourne, Victoria, 3000 |
| BANKERS | Westpac Banking Corporation<br>360 Collins Street<br>Melbourne, Victoria, 3000 |
| SECURITIES EXCHANGE | Australian Securities Exchange Limited<br>Level 45, South Tower, Rialto<br>525 Collins Street<br>Melbourne, Victoria, 3000 |
| SHARE REGISTRY | Computershare Investor Services Pty Ltd<br>Yarra Falls, 452 Johnston Street<br>Abbotsford, Victoria, 3067<br>Shareholder Enquiries (within Australia): 1300 850 505<br>Shareholder Enquiries (outside Australia): +61 3 9415 4000<br>Website – www.computershare.com.au/investors |
| ASX CODE | GER |

*The company operates a web site which directors encourage you to access for the most recent information on Greenearth Energy Ltd.*

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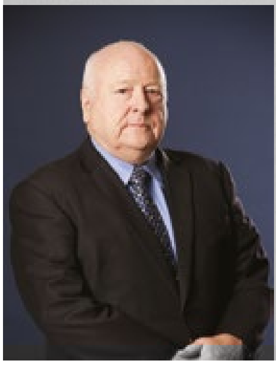


# CHAIRMAN'S REPORT

Dear Shareholder,

The 2015 financial year was one of significant milestones for Greenearth and its group businesses.

Commercial focus during the year was on enabling the next stage of growth in our industrial energy efficiency business (Vivid Industrial), and seeing our investment in NewCO2Fuels ("NCF") transition from the development to commercialisation phase for its internationally acclaimed $CO_2$-to-fuel conversion technology.

Greenearth's previous geothermal focus is no longer its primary business. During the year we provided for the impairment of our geothermal exploration assets in full, due to the continuing uncertainty surrounding the prospects for the geothermal industry in the current regulatory and political environment in Australia.

At the same time, Vivid Industrial and our investment in NCF both continue to gather momentum since initial investments were made in their respective technologies as part of our previous diversification strategy. Proceeds of a share placement during the year, which was oversubscribed and scaled back, enabled the company to accelerate growth of these investments to the assets that they are today. By investing in our people, products and technology, we have enabled the business to prepare for its next stage of growth and financial performance.

Our industrial energy efficiency business was renamed Vivid Industrial to better reflect its value offering to the energy efficient lighting market, and the rebranding was well received by stakeholders. By adding quality people to its sales and operations teams, Vivid Industrial continued to deliver world class intelligent lighting solutions for its customers while significantly expanding its pipeline of sales opportunities to large industrial customers with multiple warehouse sites. The product stable has been enhanced with an internally developed range of warehouse LED lighting which is already receiving considerable market interest and is expected to contribute significantly to the business in the coming years.

NCF, having now further developed and proven its proprietary $CO_2$-to-fuel conversion technology and added a waste heat driven model, moved into the commercialisation phase. During the year it signed a collaboration agreement with Alstom Power and the US Department of Energy, and secured government grants to assist with commercialisation. The favourable economics of NCF's technology were further highlighted by a report from Technip, a leading global engineering firm in the energy industry.

NCF won the World Technology Network Award for Energy in 2014, a significant achievement. The award was presented to NCF at a gala dinner in New York last November. NCF joins a prestigious list of past corporate winners including 3M, Amazon, Apple, Dow Chemical Company, Facebook, Google, Honda, IBM, Qualcomm, Skype, Tesla Motors, Toyota, The Weizmann Institute of Science and YouTube. Winning this award was an outstanding achievement for NCF and a testament to the global importance of its unique technology.

With the ongoing progression of both Vivid Industrial and NCF, we also commenced a process to assess separating the two businesses in order to unlock shareholder value, and in the long term enabling NCF to be a self funded investment in its own corporate structure.

During the year we welcomed Philip Zajac as a Non-executive Director, and as a result we now have four Directors on the Board. We also established a Remuneration Committee to assist the Board in ensuring that the remuneration and incentive policies for Directors and senior executives are aligned to the success of the company and the creation of long term value for shareholders. A review of Board composition is currently underway, given the evolution of the company's focus from geothermal exploration and development to commercialising renewable and clean technologies. We expect to be able to announce further results arising from this process in due course.

Greenearth's industry classification was also changed subsequent to the end of the financial year, in order to better reflect its shift to an industrial focus.

I thank our people for their valuable efforts since our previous report, and extend a warm welcome to our new team members that joined Greenearth during the year.

We also welcome our new shareholders and extend our thanks to all shareholders for your continued support, as we look forward to sharing the benefits of our company's future success.

**Robert J Annells**
Chairman
9 October 2015

# DIRECTORS' REPORT

The Directors present their report, together with the financial report of the consolidated entity consisting of Greenearth Energy Ltd and the entities it controlled, for the financial year ended 30 June 2015 and auditor's report thereon. This financial report has been prepared in accordance with Australian Accounting Standards.

## DIRECTORS

The names, qualifications, experience and special responsibilities of each person who has been a director of Greenearth Energy Ltd at any time during or since the end of the financial year are provided below, together with details of the company secretary as at the year end. The directors have been in office since the start of the year to the date of this report unless otherwise stated.

**Robert J. Annells**

*CPA, F.Fin.*
(Chairman)

Mr Annells was appointed Chairman on 1 July 2010. He has held a seat on the board as a non executive director since the company's inception on 13 July 2006. He is a former member of the Australian Stock Exchange with over forty years' experience in the securities industry, and is also a qualified accountant. His experience includes provision of corporate and investment advice to the business and resources industries.

Mr Annells is currently the Chairman of Greenearth Energy Limited (ASX:GER) and Lakes Oil N.L.(ASX:LKO) (where he has served on the board since 1984). He was a non-executive director of Rum Jungle Resources Limited (ASX:RUM) from 2006 to 2015, serving as Chairman from 2012 to June 2014. He was also Chairman of Central Australian Phosphate Limited (ASX:CEN) from July 2013 until its delisting in January 2014 following compulsory acquisition by RUM. During the past three years Mr. Annells has not held any other listed company directorships.

Mr Annells is also a member of the Audit Committee.

**John T. Kopcheff**

*B.Sc (Hons) (Geology and Geophysics), SPE, AIMM*
(Non Executive Director)

Mr Kopcheff was appointed to the Board on the 13 July 2006. He is a geologist and geophysicist, and holds a Bachelor of Science (Honours) from the University of Adelaide (1970). He has extensive petroleum experience in Australia, South East Asia, USA, South America and the North Sea, both in field operations and management.

Mr Kopcheff held the position of Managing Director of Victoria Petroleum Ltd from August 1984 until late July 2010 and continued on their board as Executive Director until resigning on 22 September 2010. He was also a non executive director of Great Panther Silver Limited from August 2001 through to 30 June 2012 when he resigned from the position. Mr Kopcheff is the Chairman of the Audit Committee and the Chairman of the Remuneration Committee.

**Samuel R. Marks**

*CA, B.Bus.*
(Managing Director)

Mr Marks was appointed as Managing Director on 1 July 2012. Mr Marks has over 17 years global commercial experience across accounting, consulting, corporate finance and corporate roles. He commenced his career with Coopers & Lybrand (PwC) in the Middle Market team, followed by Arthur Anderson (now KordaMentha) in their advisory/insolvency team.

Prior to founding the Toroso Group (subsequently Main Street Capital) in 2009, Mr Marks completed 7 years within General Electric based in Australia and the United States and was responsible for leading and executing projects across the US, UK, Europe, Australia, China and Hong Kong.

Mr Marks is a Chartered Accountant with a Bachelor of Business and is Six Sigma qualified through General Electric. He is also a director of The Melbourne Foundation, a not-for-profit organisation which provides education opportunities for financially disadvantaged youths. Mr Marks has not held any other directorships of listed companies during the three year period prior to 30 June 2015.

**Philip Zajac**

*B.Comm, F.Fin*
(Non Executive Director)

Mr Zajac was appointed to the Board on 4 September 2014, and has over 30 years of commercial experience in the finance industry. He is currently the CFO and an executive director of the Erdi Group of companies, a director of Erdi Fuels Pty Ltd, and a non-executive director of NewCO2Fuels Ltd (Israel).

Mr Zajac is involved in the development, ownership and management of eight hotels in Victoria, Sydney and Brisbane, along with the design and construction of affordable student housing and apartments. He also runs an extensive philanthropy programme across Australia and overseas. No other directorships of listed companies were held at any time during the three years prior to 30 June 2015.

Mr Zajac is also a member of the Remuneration Committee.

## COMPANY SECRETARY

**Robert Smith**

*B.Bus(Acc), CA*
(Company Secretary)

Mr. Smith is also the Chief Financial Officer of Greenearth Energy Ltd, and has previously held senior financial roles both within industry and within public practice.

# DIRECTORS' REPORT

## PRINCIPAL ACTIVITIES

The principal activities of the consolidated entity during the financial year were investment in energy efficiency technologies along with other renewable energy research and development projects, and geothermal exploration. There has been no significant change in the nature of these activities during the financial year.

## OPERATING AND FINANCIAL REVIEW

A review of the operations of the consolidated entity during the financial year and the results of those operations are as follows:

### RESULTS

The consolidated loss after income tax attributable to the members of Greenearth Energy Ltd was $5,986,012 (2014: $226,112 loss), which included a provision for impairment of $2,152,288 (2014: nil) in relation to the company's geothermal exploration and evaluation assets.

The 2014 net loss also included a $2,161,151 gain recognised on changes to the group's investment in NewCO2Fuels Ltd, for which there was no equivalent gain in the 2015 financial year.

The group's financial performance for the 2015 financial year, as detailed in the accompanying financial report, was influenced by the following drivers:

- Total revenue and other income decreased by 63% to $1,174,016 (2014: $3,142,812), due primarily to a gain on investment of $2,161,151 that was realised in the previous financial year.
- Within total revenue, revenue from completed sales to Vivid Industrial's energy efficiency customers decreased by 4% to $637,176 (2014: $661,297). Orders received during the financial year also included work in hand at 30 June 2015 (for delivery subsequent to balance date), which is not included in sales revenue above but will be recognised as sales revenue in the 2015/2016 financial year.
- Employee benefits expense increased by 76% to $2,076,479 (2014: $1,182,809), due primarily to the addition of experienced sales and operations personnel at Vivid Industrial, establishing a team for significant growth across those capabilities. Employee numbers increased by 83% during the year.
- The carrying amount of the company's geothermal exploration and evaluation assets was reduced to nil in order to provide for the impairment of its Otway and Gippsland areas of interest. This resulted in a non-cash impairment expense of $2,152,288 during the financial year (2014: nil). 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.
- Share of net losses of associates increased by 92% to $804,066 (2014: $419,850). This non-cash expense represents the group's proportional share of the financial results of its associates for the year. The increase was driven by an increase in the loss reported by NCF, as that business entered the commercialisation phase for its successfully developed and tested $CO_2$-to-fuel conversion technology.

The company issued a total of 49,395,000 shares and 6,200,000 unlisted options during the period ended 30 June 2015.

### REVIEW OF OPERATIONS

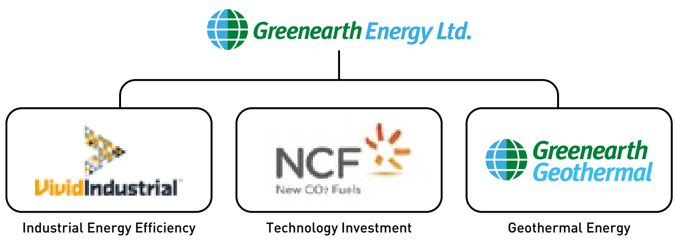
The 2014/2015 financial year was a year focused on proof-of-concept sites and development of a platform for growth for Vivid Industrial (the group's industrial energy efficiency business), along with the beginning of commercialisation of NewCO2Fuels (the group's $CO_2$-to-fuels technology investment). Further detail regarding each of these businesses is provided in the following pages.

The company's previous geothermal focus is no longer its primary business. All geothermal activities have been put on hold, and the group is now focussed on growing Vivid Industrial and managing its investment in NewCO2Fuels ("NCF").

**Strategy execution**

Greenearth Energy Limited is a diversified Australian-based industrial group providing technology solutions to the global industrial efficiency and $CO_2$-to-fuel conversion markets.

The group contains the following business units, as reflected in its reported operating segments:




A review of each of these business units for the financial year is set out in turn below, followed by a descriptive overview of each business unit.

# DIRECTORS' REPORT

Review of operations (continued)

## BUSINESS UNIT UPDATES

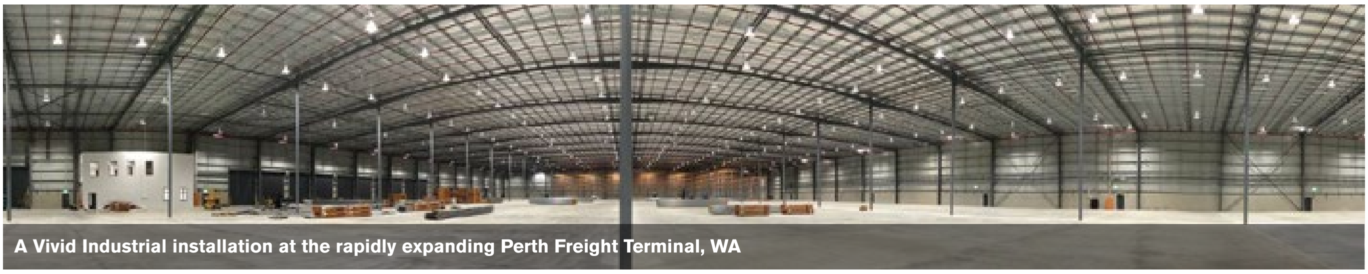
### Vivid Industrial (Industrial Energy Efficiency)

During the financial year, 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 $CO_2$ emissions. In conjunction with the rebranding, management also invested in hiring sales and project delivery staff in order to drive business growth.

During the year, Vivid Industrial completed both new build and lighting retrofits including the replacement of existing port tower lighting at the Port of Marlborough (New Zealand), Station Pier (Melbourne) and F Appleton Dock (Port of Melbourne), as well as a paid trial in Port Nelson (New Zealand).

These opportunities follow on from the successful implementation for Sydney Ports, providing energy savings of over 65%, whilst also delivering twice as much light.

On the new build implementations, sites included a 3G wireless system with off-site monitoring for a large scale warehouse in Perth, WA. Our team looks forward to developing this sector further with our unique product range for indoor, outdoor and street lighting systems which are exceeding expectations.



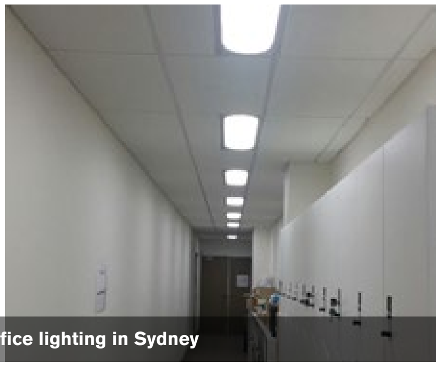
A Vivid Industrial installation at the rapidly expanding Perth Freight Terminal, WA

As identified in the above case studies, our focus in the financial year was to target large scale users of energy, on the basis that following successes in initial proof-of-concept site upgrades, repeat business across the wider property portfolio of these target customer groups would provide an efficient method of increasing market share in industrial lighting. The results have begun to show that the strategy is being well received by this customer base and we look forward to seeing more results in future periods.

Furthermore, the business concentrated on strengthening its sales opportunity pipeline and growing interest from local and overseas industrial corporations and government organisations, as well as investing more heavily in product development and commercialisation.

Vivid industrial now has a broader range of lighting product and solution offerings, ensuring diversification of its operational reliance across product families. During the year the business also finalised the introduction of its own proprietary industrial lighting product range, and put in place the supply chain capacity to deliver on strong customer demand for the new range next financial year.

Importantly for future scaling up in the next financial year, technology distribution rights held by Vivid Industrial for key lighting technologies were also extended into South East Asia, Africa and North America. Coupled with Vivid Industrial's proprietary technology, this rights expansion is part of the ongoing strategy to develop and establish an end-to-end industrial lighting, internet based technology platform which will be sold and marketed on a global scale. Vivid Industrial is well advanced in evaluating the selection of specific partners to assist with implementing this global strategy. Further detailed operational information can be found in the quarterly reports lodged during the financial year.



A Vivid Industrial installation of warehouse and office lighting in Sydney

# DIRECTORS' REPORT

### Review of operations (continued)

### NewCO2Fuels (Technology Investment)

In developing ground breaking technologies, there is a well-trodden path of commercialisation. In FY2014, NewCO2Fuels (NCF) proved its world-leading $CO_2$-to-fuels technology at scale. Proving the science was valid not only in a laboratory, but as a viable proto-type. This financial year was focused on establishing external validation of the technology and building global partners to assist in providing a strong base for commercialisation. Part of this process was working with global engineering firms and global conglomerates who are potential partners and/or users of the NCF technology in the coming years. These conglomerates see not only the environmental and technological benefits for their businesses, but also the opportunity for significant financial impact on the bottom line. Based on the external validation achieved during the year, 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**

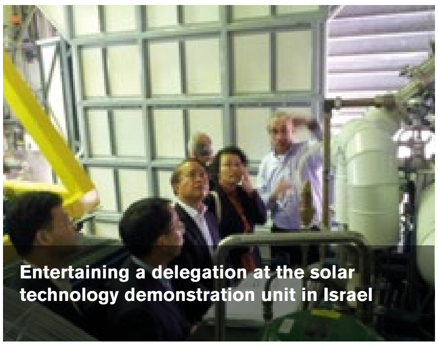
There were many highlights through-out the year, however in the long list mentioned below, special mention should be given to winning the World Technology Network Award for energy, which was presented at a ceremony in New York in November. NCF joined a prestigious list of past winners including 3M, Amazon,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

Highlights for the year included:

- Winning the 2014 World Technology Network award for Energy;
- Pre-selected as a candidate for the World Economic Forum Technology Pioneers Programme;
- Enhancing pilot-scale reactor designs for global opportunities;
- 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;
- 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; and
- Positive independent technology review assessment by Technip.

The next stage of commercialisation, which is well underway, involves taking NCF from a proven science to a commercialised saleable product on a global scale. 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.


**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**

Further detailed operational information can be found in the quarterly reports lodged during the financial year.

# DIRECTORS' REPORT

**Review of operations (continued)**

## Geothermal Energy

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

This moratorium was due for review in mid 2015, but is now likely be in place until mid-2016. Lifting the moratorium would assist the geothermal industry to continue its exploration and investment in this sector in Victoria. Due to industry uncertainty Greenearth is not investing additional capital into its geothermal business. 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.

During the financial year, 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 industry as a whole.

### 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.**



NewCO2Fuels (NCF) is an Israeli company which was formed in 2011 by a group of scientists and entrepreneurs with the support of Greenearth Energy Ltd and the Erdi Group. NCF is developing and commercialising an innovative system to profitably produce fuels from $CO_2$ and water, using renewable high temperature heat from solar or waste heat from industry. The system is based on a technology developed at the Weizmann Institute of Science and exclusively licensed to NCF.

# DIRECTORS' REPORT

**Review of operations (continued)**

The $CO_2$ 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 ($CO_2$) to Carbon monoxide (CO) and Oxygen (O). The same system can also dissociate water ($H_2O$) to Hydrogen ($H_2$) and Oxygen (O), at the same time it dissociates the $CO_2$. CO, or the mixture of CO and $H_2$ (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.

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 15 October 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 24% 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.


In 2014, Greenearth Energy received Victorian Government relief from the work permit requirements for the group's three Australian Geothermal leases (identified below). The relief initially extended until May 2015, and Greenearth has since been in discussions with the Victorian Government in relation to extension of the relief and future permit requirements in the context of the current moratorium.

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)
- **Geothermal Exploration Permit 12** (located in the greater Latrobe Valley region)
- **Geothermal Exploration Permit 13** (located in the greater Latrobe Valley region)

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 "fraccing" (hydraulic stimulation) and well activity. With the moratorium now likely to 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.

# DIRECTORS' REPORT

## GEOTHERMAL RESERVES AND RESOURCES

Greenearth Energy Ltd has Inferred Geothermal Resources for two distinct areas, Geelong/Anglesea Region and the onshore Gippsland inclusive of the Latrobe Valley and Wombat Geothermal play situated near Seaspray. Additional work has also been undertaken targeting a specific area of the Geelong/Anglesea Area, which has been defined as the Geelong Geothermal Power Project ('GGPP').

The Inferred Geothermal Resources were announced in the 2009 Financial Year. Although work had since been ongoing to continually revise and advance the category of our reserves and resources, they have not materially changed during the 2014/15 Financial Year.

The following table provides a summary of the Company's Inferred Resources:

| | Geelong/ Anglesea Area (GEP 10) GER 100% | Geelong/ Anglesea Area (GEP 10) GER 100% | Geelong Geothermal Power Project (GEP 10) GER 100% | Wombat Geothermal Play (GEP13) GER 100% |
|---|---|---|---|---|
| **Geothermal Resource Estimation Category Achieved** | Inferred | Inferred | Inferred | Inferred |
| **Geothermal Resource Type** | Hot Sedimentary Aquifer (HSA) | Enhanced Geothermal System (EGS) | Hot Sedimentary Aquifer (HSA) | Hot Sedimentary Aquifer (HSA) |
| **Estimated Thermal Energy** | 40,000 PJ | 220,000 PJ | 17,000 PJ | 3,600 PJ |
| **Heat Flow** | 90mW/m$^2$ | 90mW/m$^2$ | | |
| **Estimated Volume of Target Reservoir** | 107 km$^3$ | 549 km$^3$ | 55 km$^3$ | 14.8 km$^3$ |
| **Average Temperature** | 150$^0$C -225$^0$C with uncertainty of ±15$^0$C | Unknown | 188$^0$C | 157$^0$C |

### Competent Persons

*Anglesea (Geelong) and Wombat regions*

The information in this report that related to Geothermal Resources in the Geelong Anglesea (GEP 10) and the Wombat Geothermal Play near Seaspray, Gippsland (GEP 13) has been compiled by Dr Graeme Beardsmore, an employee of Hot Dry Rocks Pty Ltd (HDRPL). The resource estimate for the Geelong Geothermal Power Project, just north of Anglesea draws upon a series of reports for Greenearth Energy by HDRPL.

Dr Beardsmore has over 15 years experience in the determination of crustal temperatures relevant to the style of geothermal play under consideration, is a member of the Australian Society of Exploration Geophysicists and abides by the Code of Ethics of that organization.

Dr Beardsmore qualifies as a Competent Person, as defined in the Australian Code for Reporting of Exploration Results, Geothermal Resources and Geothermal Reserves (2008 Edition). Dr Beardsmore consents to the public release of this report in the form and context in which it appears.

*Geelong Geothermal Power Project*

The information in this report that relates to Geothermal Resource estimation for the Geelong Geothermal Power Project (GGPP) is based upon a report compiled by James Vincent Lawless, an employee and Principal of Sinclair Knight Merz Limited (SKM). He is a Fellow of the Australasian Institute of Mining and Metallurgy and holds Chartered Geologist status with that body. SKM has been engaged as Consultant by Greenearth Energy but holds no financial interest in the project or in Greenearth Energy.

Mr Lawless is a Competent Person as defined by the Australian Code for Reporting of Exploration Results, Geothermal Resources and Geothermal Reserves (2008 Edition), and consents to the public release of this report in the form and context in which it appears.

## 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 year other than those listed in the review of operations above.

# DIRECTORS' REPORT

## AFTER BALANCE DATE EVENTS

Subsequent to the end of the period, the company issued a total of 4,400,000 unlisted incentive options in August 2015 pursuant to the company's Employee Option Plan, as follows:

| No. of options | Exercise price | Issue date | Expiry date |
|---|---|---|---|
| 4,350,000 | 12.5 cents | 10 Aug 2015 | 7 Aug 2018 |
| 50,000 | 12.5 cents | 11 Aug 2015 | 7 Aug 2018 |
| 4,400,000 | | | |

## LIKELY DEVELOPMENTS

The group's focus in the 2015/2016 financial year will be on its Industrial Energy Efficiency and Technology Investment business units.

Objectives for Vivid Industrial include a strong focus on sales growth and execution of opportunities within the sales pipeline, which are both expected to be assisted by the introduction of internally developed lighting products and expansion into further regions outside Australia and New Zealand.

Objectives for NewCO2Fuels include commercialisation of its $CO_2$-to-fuels technology. As announced previously, the group also intends to combine its 33.33% investment in NewCO2Fuels with the 33.33% held by Erdi Fuels, by creating a joint investment entity which will hold 66.67% of the equity in NewCO2Fuels. This new structure will provide a better platform for future NCF growth and increase opportunities for both Greenearth and Erdi Fuels to realise value from NCF.

## ENVIRONMENTAL REGULATION

The company holds interests in geothermal exploration permits and licenses in Victoria. All of these permits and licences impose regulations regarding environmental issues. Similarly, a number of our renewable technology projects are subject to planning regulations and approvals which incorporate appropriate environmental regulations. The consolidated entity is not aware of any significant breaches of environmental regulations during the financial year.

## DIVIDEND PAID, RECOMMENDED OR DECLARED

No dividends were paid, declared or recommended since the start of the financial year.

## SHARE OPTIONS

Details of options over unissued ordinary shares granted by Greenearth Energy Ltd during or since the financial year end to directors and Key Management Personnel are provided in the Remuneration Report which forms part of this Directors' Report.

Details of options outstanding over unissued ordinary shares of Greenearth Energy Ltd are provided in note 26 to the financial report.

No ordinary shares of Greenearth Energy Ltd were issued during or since the end of the financial year as a result of the exercise of an option.

There are no amounts unpaid on shares issued on exercise of options.

## DIRECTORS' MEETINGS

The number of meetings of the board of directors and of each board committee held during the financial year and the numbers of meetings attended by each director were:

| | Board of Directors | | Audit Committee | | Remuneration Committee | |
|---|---|---|---|---|---|---|
| | Eligible to attend | Attended | Eligible to attend | Attended | Eligible to attend | Attended |
| **R Annells** | 15 | 15 | 1 | 1 | - | - |
| **J Kopcheff** | 15 | 15 | 1 | 1 | 4 | 4 |
| **S Marks** | 15 | 15 | - | - | - | - |
| **P Zajac** | 12 | 11 | - | - | 4 | 4 |

# DIRECTORS' REPORT

## DIRECTORS' INTERESTS IN SHARES OR OPTIONS

Directors' relevant interests in shares of Greenearth Energy Ltd or options over shares in the company ( or a related body corporate) are detailed below.

| Directors' relevant interests in: | | Ordinary shares of Greenearth Energy Ltd | | Options over shares in Greenearth Energy Ltd | |
|---|---|---|---|---|---|
| | | 2015 | 2014 | 2015 | 2014 |
| R Annells | Direct | - | - | - | - |
| | Indirect | 6,312,883 | 6,312,883 | - | - |
| J Kopcheff | Direct | 2,524,810 | 2,524,810 | - | - |
| | Indirect | 2,928,572 | 2,928,572 | - | - |
| S Marks | Direct | - | - | 5,000,000 | 5,000,000 |
| | Indirect | 1,126,375 | 1,126,375 | 10,000,000 | 5,000,000 |
| P Zajac | Direct | 200,000 | 200,000 | - | - |
| | Indirect | 733,333 | 733,333 | - | - |

## INDEMNIFICATION AND INSURANCE OF DIRECTORS, OFFICERS AND AUDITORS

The company has, during and since the end of the financial year, in respect of any person who has, is or has been an officer of the company or a related body corporate, paid a premium in respect of Directors and Officer liability insurance which indemnifies Directors, Officers and the Company of any claims made against the Directors, Officers of the Company and the Company, subject to conditions contained in the insurance policy. Further disclosure required under section 300(9) of the *Corporations Act 2001* is prohibited under the terms of the contract.

## PROCEEDINGS ON BEHALF OF THE CONSOLIDATED ENTITY

No person has applied for leave of Court to bring proceedings on behalf of the consolidated entity.

## 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 audit for the financial year is provided with this report.

## NON-AUDIT SERVICES

Non-audit services are approved by resolution of the audit committee and approval is provided in writing to the board of directors. Non-audit services were provided by the auditors of entities in the consolidated group during the year, namely Pitcher Partners (Melbourne), network firms of Pitcher Partners, and other non-related audit firms, as detailed below. The directors are satisfied that the provision of the non-audit services during the year by the auditor is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001.*

| | 2015<br>$ | 2014<br>$ |
|---|---|---|
| **Amounts paid and payable to Pitcher Partners (Melbourne) for non-audit services:** | | |
| Taxation services | 26,000 | 71,002 |
| **Total auditors' remuneration for non-audit services** | **26,000** | **71,002** |

# REMUNERATION REPORT (AUDITED)

The directors present the consolidated entity's 2015 remuneration report which details the remuneration information for Greenearth Energy Ltd's executive directors, non-executive directors and other key management personnel.

## A. DETAILS OF KEY MANAGEMENT PERSONNEL

| *(i) Directors* | *Position* |
|---|---|
| **Robert Annells** | Chairman - non executive |
| **John Kopcheff** | Director - non executive |
| **Samuel Marks** | Managing Director |
| **Philip Zajac** | Director - non executive (from 4 September 2014) |

| *(ii) Executives* | *Position* |
|---|---|
| **Urbain du Plessis** | Chief Operating Officer - Energy Efficiency |
| **Robert Smith** | Chief Financial Officer and Company Secretary |

## B. REMUNERATION POLICIES

The board of directors of Greenearth Energy Ltd is responsible for determining and reviewing compensation arrangements for the directors and the executive team. The board assesses the appropriateness of the nature and amount of remuneration of such officers on a periodic basis by reference to relevant employment market conditions with overall objective of ensuring maximum stakeholder benefit from the retention of a high quality board and executive team. Such officers are given the opportunity to receive their base remuneration in a variety of forms including cash and fringe benefits such as expenses payment plans.

For executives, the company provides a remuneration package that incorporates both cash–based remuneration and share–based remuneration. Bonuses are issued when Key Performance Indicators (KPI's), which are stipulated within services agreements, are met in part or full, as assessed appropriate by the Board.

The company determines the maximum amount for remuneration, including thresholds for remuneration for directors, by resolution. Further details regarding components of directors' and executive remuneration are provided in the notes to the financial statements.

During the year, the board established a Remuneration Committee to assist it in carrying out these responsibilities.

### SERVICE AGREEMENTS

Details of service agreements entered into by the company with key management personnel are:

**Service agreements – Executive Directors**

*Samuel Marks*
Mr Samuel Marks, who commenced as Managing Director on 1 July 2012, entered into an initial arrangement at the start of his employment with the Company with a remuneration package that includes a base salary plus superannuation. He was also issued incentive options in December 2013 and in December 2014 (as outlined in part E(b) of this Remuneration Report).

**Service agreements – Senior Executives**

Service agreements are in place for Senior Executives.

These agreements, which do not specify fixed periods of employment, can be terminated by either party with notice periods ranging between four and five weeks' notice. Termination payments comprise the base salary payment for the duration of the applicable notice period, plus any statutory entitlements owing, such as outstanding annual leave entitlements and superannuation contributions.

These agreements also contain KPIs, that are set in relation to objectives suitable to each executive's role, under which performance bonuses may be achieved. Where appropriate, these bonuses include components that are related to the company's performance. KPIs for operational and sales executives focus on business planning, risk and compliance, revenue targets, and profitability. KPIs for finance and governance executives focus on governance, compliance, reporting and financial management.

# REMUNERATION REPORT (AUDITED)

## C. DETAILS OF KEY MANAGEMENT PERSONNEL REMUNERATION

**(a) Directors' remuneration**

| | | SHORT-TERM | | | POST EMPLOYMENT# | SHARE-BASED PAYMENTS | | TOTAL | TOTAL PERFORMANCE RELATED | OPTIONS AS % OF TOTAL |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Salary & Fees# | Cash Bonus | Non Monetary | Superannuation | Equity Options* | Shares Issued# | | | |
| | | $ | $ | $ | $ | $ | $ | $ | % | % |
| **R Annells** | **2015** | **85,000** | **-** | **-** | **8,075** | **-** | **-** | **93,075** | **-** | **-** |
| | 2014 | 42,500 | - | - | 3,931 | - | - | 46,431 | - | - |
| **J Kopcheff** | **2015** | **50,000** | **-** | **-** | **4,750** | **-** | **-** | **54,750** | **-** | **-** |
| | 2014 | 25,000 | - | - | 2,313 | - | - | 27,313 | - | - |
| **S Marks** | **2015** | **246,665** | **-** | **3,335** | **23,336** | **125,700** | **-** | **399,036** | **-** | **31.50%** |
| | 2014 | 250,000 | - | - | 23,125 | 74,900 | - | 348,025 | - | 21.52% |
| **P Zajac** | **2015** | **41,111** | **-** | **-** | **3,906** | **-** | **-** | **45,017** | **-** | **-** |
| | 2014 | - | - | - | - | - | - | - | - | - |
| **Total Directors' remuneration** | **2015** | **422,776** | **-** | **3,335** | **40,067** | **125,700** | **-** | **591,878** | | |
| | 2014 | 317,500 | - | - | 29,369 | 74,900 | - | 421,769 | | |

# Refer to part E(b) of this Remuneration Report for further information regarding directors' fees and share based payments.

* The values shown in the column headed 'equity options' represents the non-cash notional value of the options.

Refer to part E(b) of this Remuneration Report for further information regarding share based payments.

## C. DETAILS OF KEY MANAGEMENT PERSONNEL REMUNERATION (CONTINUED)

**(b) Executives' remuneration**

| | | SHORT-TERM | | | POST EMPLOYMENT# | SHARE-BASED PAYMENTS | | TOTAL | TOTAL PERFORMANCE RELATED | OPTIONS AS % OF TOTAL |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Salary & Fees | Cash Bonus | Non Monetary | Superannuation | Equity Options* | Shares Issued | | | |
| | | $ | $ | $ | $ | $ | $ | $ | % | % |
| U du Plessis | 2015 | 166,965 | - | 15,684 | 17,351 | - | - | 200,000 | - | - |
| | 2014 | 133,694 | - | 3,921 | 12,729 | 17,800 | - | 168,144 | - | 10.59% |
| R Smith | 2015 | 180,000 | 24,300 | - | 17,520 | - | - | 221,820 | 10.95% | - |
| | 2014 | 165,138 | 12,500 | - | 16,463 | 74,400 | - | 268,501 | - | 27.71% |
| Total Executives' remuneration | 2015 | 346,965 | 24,300 | 15,684 | 34,871 | - | - | 421,820 | | |
| | 2014 | 298,832 | 12,500 | 3,921 | 29,192 | 92,200 | - | 436,645 | | |

* The values shown in the column headed 'equity options' represents the non-cash notional value of the options.

Refer to part E(b) of this Remuneration Report for further information regarding share based payments.

## D. RELATIONSHIP BETWEEN REMUNERATION AND COMPANY PERFORMANCE

The non-executive directors' remuneration policy is not directly related to company performance. The board considers a remuneration policy based on short-term returns may not be beneficial to the long-term creation of wealth by the company for shareholder

Consequences of company performance on shareholder wealth:

| | 2015 | 2014 | 2013 | 2012 | 2011 |
|---|---|---|---|---|---|
| Revenue ($'000) | 1,174 | 3,143 | 763 | 480 | 1,020 |
| Loss before tax ($'000) | 5,986 | 226 | 1,613 | 2,836 | 2,576 |
| Change in share price (%) | +17% | +132% | -40% | -58% | +33% |
| Dividends paid to shareholders ($) | - | - | - | - | - |
| Return of capital ($) | - | - | - | - | - |

# REMUNERATION REPORT (AUDITED)

## E. KEY MANAGEMENT PERSONNEL'S BONUSES AND SHARE-BASED COMPENSATION

**(a) Details of compensation Options**

| | | Grant Date | Granted | Value per option at grant date | Vest Number During the Year | Year in which option may be vested |
|---|---|---|---|---|---|---|
| | | | Number | $ | | |
| **DIRECTORS** | | | | | | |
| R Annells | **2015** | | **-** | **-** | **-** | |
| | 2014 | | - | - | - | |
| J Kopcheff | **2015** | | **-** | **-** | **-** | |
| | 2014 | | - | - | - | |
| S Marks | **2015** | **18/12/2014** | **2,000,000** | **0.029** | **-** | **2015/16** |
| | | **18/12/2014** | **3,000,000** | **0.023** | **-** | **2015/16** |
| | 2014 | 18/12/2013 | 2,000,000 | 0.017 | - | 2014/15 |
| | | 18/12/2013 | 3,000,000 | 0.014 | - | 2014/15 |
| P Zajac | **2015** | | **-** | **-** | **-** | |
| | 2014 | | - | - | - | |
| **EXECUTIVES** | | | | | | |
| U du Plessis | **2015** | | **-** | **-** | **-** | |
| | 2014 | 4/02/2014 | 500,000 | 0.036 | - | 2014/15 |
| R Smith | **2015** | | **-** | **-** | **-** | |
| | 2014 | 4/02/2014 | 1,000,000 | 0.041 | 1,000,000 | 2013/14 |
| | | 4/02/2014 | 1,000,000 | 0.034 | 1,000,000 | 2013/14 |
| **TOTAL DIRECTORS AND EXECUTIVES** | | | | | | |
| | **2015** | | **5,000,000** | | **-** | |
| | 2014 | | 7,500,000 | | 2,000,000 | |

The service and performance criteria in relation to the grant of options, together with other details are described in (b).

# REMUNERATION REPORT (AUDITED)

| | Vest | Value Exercised During the Year | Forfeited | Terms and conditions for each grant | | | |
|---|---|---|---|---|---|---|---|
| | | | | Exercise Price | Expiry Date | First Exercise Date | Last Exercise Date |
| | % | $ | % | $ | | | |
| | | | | | | | |
| | **-** | **-** | **-** | **-** | | | |
| | - | - | - | - | | | |
| | **-** | **-** | **-** | **-** | | | |
| | - | - | - | - | | | |
| | **-** | **-** | **-** | **0.15** | **30/09/2017** | **18/12/2015** | **30/09/2017** |
| | **-** | **-** | **-** | **0.20** | **30/09/2017** | **18/12/2015** | **30/09/2017** |
| | - | - | - | 0.075 | 30/09/2018 | 1/07/2014 | 30/09/2018 |
| | - | - | - | 0.10 | 30/09/2018 | 1/07/2014 | 30/09/2018 |
| | **-** | **-** | **-** | **-** | | | |
| | - | - | - | - | | | |
| | | | | | | | |
| | **-** | **-** | **-** | **-** | | | |
| | - | - | - | 0.15 | 2/02/2017 | 2/02/2015 | 2/02/2017 |
| | **-** | **-** | **-** | **-** | | | |
| | 100% | - | - | 0.15 | 30/09/2017 | 4/02/2014 | 30/09/2017 |
| | 100% | - | - | 0.20 | 30/09/2017 | 4/02/2014 | 30/09/2017 |
| | | | | | | | |
| | **-** | **-** | **-** | | | | |
| | 27% | - | - | | | | |

# REMUNERATION REPORT (AUDITED)

## E. KEY MANAGEMENT PERSONNEL'S BONUSES AND SHARE-BASED COMPENSATION (CONTINUED)

**(b) Details concerning bonuses and share-based compensation of directors and executives (consolidated)**

*(i) Directors' fees*

The directors decided to defer payment of directors' fees and associated superannuation totalling $147,150 in respect of the year ended 30 June 2013, to conserve the company's cash reserves, and intended to seek approval from shareholders at the company's Annual General Meeting (AGM) in November 2013 to have those outstanding directors' fees paid via the issue of Greenearth Energy ordinary shares.

Subsequently, in October 2013, the directors concluded that fees for all individual non-executive directors would be reduced by 50%. The company also reverted to its previous practice of paying directors' fees in cash. Consequently, the anticipated directors' fees for the previous financial year(as disclosed in the Remuneration Report within the 2013 financial report) were reduced by 50% as well as reclassified from Share-based Payments to the relevant Short-Term and Post employment categories within the 2014 and 2015 Remuneration Reports. No portion of this remuneration is related to company performance.

In 2015, annual Directors' fees were restored to the amounts that applied prior to the 50% reduction, with effect from 1 July 2014.

*(ii) Grant of options to Managing Director*

Following approval from shareholders at the company's Annual General Meeting (AGM) in November 2014, 5,000,000 unlisted options were issued to Mr Samuel Marks, in relation to his employment as Managing Director. The options are options to subscribe for shares in the capital of Greenearth Energy Ltd (comprising 2,000,000 at an exercise prices of 15 cents (and 3,000,000 options at an exercise price of 20 cents), expire on 30 September 2017, and will vest on 18 December 2015 subject to Mr Marks' continuing employment with the company up until that date. No portion of this remuneration is related to company performance.

Following approval from shareholders at the company's Annual General Meeting (AGM) in November 2013, 5,000,000 unlisted options were issued to Mr Samuel Marks, in relation to his employment as Managing Director. The options are options to subscribe for shares in the capital of Greenearth Energy Ltd (comprising 2,000,000 at an exercise price of 7.5 cents and 3,000,000 options at an exercise price of 10 cents), expire on 30 September 2018, and vested on 1 July 2014 due to Mr Marks' continuing employment with the company up until that date. No portion of this remuneration is related to company performance.

*(iv) Grant of options to senior executives*

2,500,000 unlisted options were issued to Key Management Personnel in the prior year in relation to employment with the company. The options are options to subscribe for shares in the capital of Greenearth Energy Ltd (comprising 1,500,000 at an exercise price of 15 cents and 1,000,000 options at an exercise price of 20 cents). 500,000 options expire on 2 February 2017, and vested on 2 February 2015 due to continuing employment with the company up until that date. 2,000,000 options expire on 30 September 2017, and vested at grant date. No portion of this remuneration is related to company performance.

**(c) Shares issued on exercise of compensation options**

No compensation options were exercised during the year.

## F. KEY MANAGEMENT PERSONNEL'S EQUITY HOLDINGS

**(a) Number of options held by key management personnel**

| 2015 | Balance 1/7/2014 | Granted as remun-eration | Options exercised | Net change other (purchases / expired) | Balance 30/6/2015 | Total vested 30/6/2015 | Total exercisable 30/6/2015 | Total unexercisable 30/6/2015 |
|---|---|---|---|---|---|---|---|---|
| **DIRECTORS** | | | | | | | | |
| R Annells | - | - | - | - | - | - | - | - |
| J Kopcheff | - | - | - | - | - | - | - | - |
| S Marks | 10,000,000 | 5,000,000 | - | - | 15,000,000 | 10,000,000 | 10,000,000 | 5,000,000 |
| P Zajac # | - | - | - | - | - | - | - | - |
| **EXECUTIVES** | | | | | | | | |
| U du Plessis | 3,500,000 | - | - | - | 3,500,000 | 3,500,000 | 3,500,000 | - |
| R Smith | 2,000,000 | - | - | - | 2,000,000 | 2,000,000 | 2,000,000 | - |
| | 15,500,000 | 5,000,000 | - | - | 20,500,000 | 15,500,000 | 15,500,000 | 5,000,000 |

# Mr. Zajac became a Director on 4 September 2014. The opening balance of holdings shown is as of that date.

## F. KEY MANAGEMENT PERSONNEL'S EQUITY HOLDINGS (CONTINUED)

**(a) Number of options held by key management personnel (continued)**

| 2014 | Balance 1/7/2013 | Granted as remun-eration | Options exercised | Net change other (purchases / expired) | Balance 30/6/2014 | Total vested 30/6/2014 | Total exercisable 30/6/2014 | Total unexercisable 30/6/2014 |
|---|---|---|---|---|---|---|---|---|
| **DIRECTORS** | | | | | | | | |
| R Annells | - | - | - | - | - | - | - | - |
| J Kopcheff | - | - | - | - | - | - | - | - |
| S Marks | 5,000,000 | 5,000,000 | - | - | 10,000,000 | 5,000,000 | 5,000,000 | 5,000,000 |
| **EXECUTIVES** | | | | | | | | |
| U du Plessis | 3,000,000 | 500,000 | - | - | 3,500,000 | 3,000,000 | 3,000,000 | 500,000 |
| R Smith | - | 2,000,000 | - | - | 2,000,000 | 2,000,000 | 2,000,000 | - |
| | 8,000,000 | 7,500,000 | - | - | 15,500,000 | 10,000,000 | 10,000,000 | 5,500,000 |

**(b) Number of shares held by key management personnel**

| 2015 | Balance 1/7/2014 | Issued as remuneration | On exercise of options | Net change other (purchases / disposals) | Balance 30/6/2015 |
|---|---|---|---|---|---|
| **DIRECTORS** | | | | | |
| R Annells | 6,312,883 | - | - | - | 6,312,883 |
| J Kopcheff | 5,453,382 | - | - | - | 5,453,382 |
| S Marks | 1,126,375 | - | - | - | 1,126,375 |
| P Zajac # | 933,333 | - | - | - | 933,333 |
| **EXECUTIVES** | | | | | |
| U du Plessis | - | - | - | - | - |
| R Smith | - | - | - | - | - |
| | 13,825,973 | - | - | - | 13,825,973 |

| 2014 | Balance 1/7/2013 | Issued as remuneration | On exercise of options | Net change other (purchases / disposals) | Balance 30/6/2014 |
|---|---|---|---|---|---|
| **DIRECTORS** | | | | | |
| R Annells | 6,312,883 | - | - | - | 6,312,883 |
| J Kopcheff | 5,453,382 | - | - | - | 5,453,382 |
| S Marks | - | - | - | 1,126,375 | 1,126,375 |
| **EXECUTIVES** | | | | | |
| U du Plessis | - | - | - | - | - |
| R Smith | - | - | - | - | - |
| | 11,766,265 | - | - | 1,126,375 | 12,892,640 |

# REMUNERATION REPORT (AUDITED)

## G. LOANS TO KEY MANAGEMENT PERSONNEL

There are no loans made by Greenearth Energy Ltd to key management personnel.

## H. OTHER TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

An amount of $31,346 excluding GST (2014:$28,596) was paid by the group to Virtual and Illumination Engineering Services; a business associated with Mr U. du Plessis, a member of the key management personnel of the company in respect of research and development services provided by it to the group. The Directors believe these transactions to be on an arms-length basis.

## I. USE OF REMUNERATION CONSULTANTS

During the year, the company engaged HR Ascent to provide remuneration benchmarking and advisory services in relation to remuneration of Key Management Personnel. Fees paid to HR Ascent for these services totalled $11,250.

To ensure that "remuneration recommendations" (being advice relating to the elements of remuneration for key management personnel, as defined under the *Corporations Act 2001*) were made free from undue influence by key management personnel to whom they may relate, HR Ascent reported directly to the Remuneration Committee. Declarations were given by HR Ascent to the effect that its remuneration recommendations were made free from undue influence by key management personnel to whom they related. The board has received assurance from the Remuneration Committee and is therefore satisfied that the remuneration recommendations received from HR Ascent were made free from undue influence.

## J. VOTING AND COMMENTS MADE AT THE COMPANY'S 2014 ANNUAL GENERAL MEETING (AGM)

At the company's most recent AGM, resolution to adopt the prior year remuneration report was put to the vote and carried as an ordinary resolution on a show of hands. No comments were made on the remuneration report that was considered at the AGM.

*End of Remuneration Report.*

Signed in accordance with a resolution of the directors.

SAMUEL R MARKS

Managing Director

Greenearth Energy Ltd

Dated this 29th day of September 2015

Melbourne

# AUDITOR'S INDEPENDENCE DECLARATION

PITCHER PARTNERS

## TO THE DIRECTORS OF GREENEARTH ENERGY LTD

In relation to the independent audit for the year ended 30 June 2015, 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.

This declaration is in respect of Greenearth Energy Ltd and the entities it controlled during the year.

M J HARRISON
Partner
29 September 2015

Pitcher Partners

PITCHER PARTNERS
Melbourne

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2015

| | Notes | 2015 $ | 2014 $ |
|---|---|---|---|
| **Revenue and other income** | | | |
| Sales revenue | 5 | 637,176 | 661,297 |
| Other income | 5 | 536,840 | 2,481,515 |
| | | 1,174,016 | 3,142,812 |
| **Less: Expenses** | | | |
| Employee benefits expense | 6 | (2,076,479) | (1,182,809) |
| Inventories sold or used | | (550,367) | (580,286) |
| Depreciation and amortisation | 6 | (16,065) | (13,621) |
| Accounting and audit expenses | | (78,738) | (161,175) |
| Marketing and promotion expenses | | (150,013) | (44,315) |
| Rent and occupancy expenses | | (128,398) | (159,587) |
| Consulting expenses | | (293,992) | (68,196) |
| Unrealised loss on fair value of investments | | (8,636) | - |
| Impairment expense | 6 | (2,152,288) | - |
| Administrative expenses | 6 | (654,032) | (628,136) |
| Other expenses | 6 | (246,954) | (110,949) |
| **Total Expenses** | | **(6,355,962)** | **(2,949,074)** |
| Share of net losses of associates accounted for using the equity method | 14 | (804,066) | (419,850) |
| **Loss before income tax expense** | | **(5,986,012)** | **(226,112)** |
| Income tax expense | 7 | - | - |
| **Net loss from continuing operations** | 6 | **(5,986,012)** | **(226,112)** |
| **Loss for the year** | | **(5,986,012)** | **(226,112)** |
| **Other comprehensive income for the year** | | **-** | **-** |
| **Total comprehensive income for the year** | | **(5,986,012)** | **(226,112)** |
| **Loss is attributable to:** | | | |
| Members of the parent | | (5,986,012) | (226,112) |
| Non-controlling interest | | - | - |
| | | (5,986,012) | (226,112) |
| **Earnings per share for loss attributable to the equity holders of the parent entity:** | | | |
| Basic loss per share (cents per share) | 25 | (2.87) | (0.16) |
| Diluted loss per share (cents per share) | 25 | (2.87) | (0.16) |

The above statement should be read in conjunction with the accompanying notes

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION
## AS AT 30 JUNE 2015

| | Notes | 2015 $ | 2014 $ |
|---|---|---|---|
| **Current assets** | | | |
| Cash and cash equivalents | 9 | 2,572,164 | 3,187,415 |
| Receivables | 10 | 837,281 | 353,925 |
| Inventories | 11 | 650,623 | 497,511 |
| Other financial assets | 12 | 61,190 | 69,826 |
| Other current assets | 13 | 125,022 | 8,716 |
| **Total current assets** | | 4,246,280 | 4,117,393 |
| **Non-current assets** | | | |
| Equity accounted investments | 14 | 698,826 | 1,190,577 |
| Property, plant and equipment | 15 | 149,877 | 28,544 |
| Exploration and evaluation assets | 16 | - | 2,146,783 |
| **Total non-current assets** | | 848,703 | 3,365,904 |
| **Total assets** | | 5,094,983 | 7,483,297 |
| **Current liabilities** | | | |
| Payables | 17 | 891,538 | 891,620 |
| Other financial liabilities | 18 | - | 530,786 |
| Provisions | 19 | 87,413 | 64,424 |
| **Total current liabilities** | | 978,951 | 1,486,830 |
| **Non-current liabilities** | | | |
| Provisions | 19 | 35,542 | 25,372 |
| **Total non-current liabilities** | | 35,542 | 25,372 |
| **Total liabilities** | | 1,014,493 | 1,512,202 |
| **Net assets** | | 4,080,490 | 5,971,095 |
| **Equity** | | | |
| Share capital | 20 | 23,708,815 | 19,716,215 |
| Reserves | 21 | 65,286 | (37,521) |
| Accumulated losses | 21 | (19,653,274) | (13,667,262) |
| **Equity attributable to the owners of Greenearth Energy Ltd** | | 4,120,827 | 6,011,432 |
| Non-controlling interests | | (40,337) | (40,337) |
| **Total equity** | | 4,080,490 | 5,971,095 |

The above statement should be read in conjunction with the accompanying notes

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2015

| Consolidated entity | Share capital | Reserves | Accumulated losses | Non-controlling interest | Total Equity |
|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ |
| **Year ended 30 June 2015** | | | | | |
| **Balance as at 1 July 2014** | **19,716,215** | **(37,521)** | **(13,667,262)** | **(40,337)** | **5,971,095** |
| Loss for the year | - | - | (5,986,012) | - | (5,986,012) |
| **Total comprehensive income for the year** | **-** | **-** | **(5,986,012)** | **-** | **(5,986,012)** |
| **Transactions with owners in their capacity as owners:** | | | | | |
| Contributions | 4,198,575 | - | - | - | 4,198,575 |
| Costs of raising capital | (205,975) | - | - | - | (205,975) |
| Equity based payments | - | 102,807 | - | - | 102,807 |
| | **3,992,600** | **102,807** | **-** | **-** | **4,095,407** |
| **Balance as at 30 June 2015** | **23,708,815** | **65,286** | **(19,653,274)** | **(40,337)** | **4,080,490** |
| **Year ended 30 June 2014** | | | | | |
| **Balance as at 1 July 2013** | **15,242,580** | **(248,534)** | **(13,441,150)** | **(40,337)** | **1,512,559** |
| Loss for the year | - | - | (226,112) | - | (226,112) |
| **Total comprehensive income for the year** | **-** | **-** | **(226,112)** | **-** | **(226,112)** |
| **Transactions with owners in their capacity as owners:** | | | | | |
| Contributions | 4,521,385 | - | - | - | 4,521,385 |
| Costs of raising capital | (47,750) | - | - | - | (47,750) |
| Equity based payments | - | 211,013 | - | - | 211,013 |
| | **4,473,635** | **211,013** | **-** | **-** | **4,684,648** |
| **Balance as at 30 June 2014** | **19,716,215** | **(37,521)** | **(13,667,262)** | **(40,337)** | **5,971,095** |

The above statement should be read in conjunction with the accompanying notes

# CONSOLIDATED STATEMENT OF CASH FLOWS
## FOR THE YEAR ENDED 30 JUNE 2015

| | Notes | 2015 $ | 2014 $ |
|---|---|---|---|
| **Cash flow from operating activities** | | | |
| Receipts | | 690,276 | 766,082 |
| Payments to suppliers and employees | | (4,344,945) | (2,674,268) |
| Research and develoment rebates received | | 684,732 | 281,291 |
| Interest received | | 7,968 | 11,681 |
| **Net cash used in operating activities** | 22(a) | (2,961,969) | (1,615,214) |
| **Cash flow from investing activities** | | | |
| Purchase of property, plant and equipment | | (174,273) | (7,229) |
| Purchase of unlisted securities | | (1,482,128) | (586,482) |
| 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** | | (1,656,401) | (593,711) |
| **Cash flow from financing activities** | | | |
| Proceeds from issues of ordinary shares | | 4,187,116 | 4,521,385 |
| Advance from issue of option | | - | 600,100 |
| Capital raising costs | | (205,975) | (47,750) |
| **Net cash provided by financing activities** | | 3,981,141 | 5,073,735 |
| **Net increase/(decrease) in cash and cash equivalents** | | (637,229) | 2,864,810 |
| Foreign exchange differences on cash holdings | | 21,978 | (11,003) |
| Cash and cash equivalents at beginning of year | | 3,187,415 | 333,608 |
| **Cash and cash equivalents at end of the year** | 22(b) | 2,572,164 | 3,187,415 |

The above statement should be read in conjunction with the accompanying notes

# NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2015

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

The following is a summary of significant accounting policies adopted by the consolidated entity in the preparation and presentation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

### (a) Basis of preparation of the financial report

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

The financial report covers Greenearth Energy Ltd and controlled entities as a consolidated entity. Greenearth Energy Ltd is a company limited by shares, incorporated and domiciled in Australia. Greenearth Energy Ltd is a for-profit entity for the purpose of preparing the financial statements.

The financial report was authorised for issue by the Directors as at the date of the Directors' report.

*Compliance with IFRS*

The consolidated financial statements of Greenearth Energy Ltd also comply with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

*Historical cost convention*

The 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.

*Significant accounting estimates*

The preparation of the financial report requires the use of certain estimates and judgements in applying the entity's accounting policies. Those estimates and judgements significant to the financial report are disclosed in Note 2.

### (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 year of $5,986,012 (2014: $226,112) and at the reporting date total assets exceeded total liabilities by $4,080,490 (30 June 2014: $5,971,095), including exploration and evaluation assets of $0 (30 June 2014: $2,146,783).

The Directors have determined that there may be a net cash requirement of $3m over the forthcoming 12 months to maintain operations, after allowing for existing cash reserves and contracted upcoming cash receipts. The Directors anticipate that this potential net cash requirement of $3m is to be funded by a combination of the net operating cash flow of Vivid Industrial (a company within the consolidated group), raising additional capital, and other funding avenues such as continued development of other industrial technologies and expanding revenue streams.

The anticipated revenue growth (and consequent cash flow contribution) of Vivid Industrial 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.

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) Principles of consolidation

The consolidated financial statements are those of the consolidated entity, comprising the financial statements of the parent entity and of all entities which the parent entity controls. The group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The financial statements of subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies, which may exist.

All inter-company balances and transactions, including any unrealised profits or losses have been eliminated on consolidation. Subsidiaries are consolidated from the date on which control is established and are de-recognised from the date that control ceases.

Non-controlling interests in the results of subsidiaries are shown separately in the consolidated statement of comprehensive income and consolidated statement of financial position respectively.

### (d) Revenue

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Risks and rewards of ownership are considered to have passed to the buyer at the time of delivery of the goods to the customer.

Revenue from rendering of services to customers is recognised upon delivery of the service to the customer.

In respect of sales of investments and creation of options the proceeds arising from sale are recognised when control of the asset is passed to the acquirer.

Government grants are recognised at fair value when there is reasonable certainty that the grant will be received and all grant conditions met. Grants relating to expense items are recognised as income over the periods necessary to match the grant to the costs they are compensating.

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

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

# NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2015

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

## (e) Cash and cash equivalents

Cash and cash equivalents include cash on hand and at banks, short-term deposits with an original maturity of three months or less held at call with financial institutions.

## (f) Inventories

Inventories are measured at the lower of cost and net realisable value.

## (g) Property, plant and equipment

*Cost and valuation*

All classes of property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

*Depreciation*

The depreciable amounts of all property, plant and equipment are calculated using either the prime cost or diminishing balance method over their estimated useful lives commencing from the time the asset is held ready for use.

Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

*The useful lives for each class of assets are:*

| | 2015 | 2014 |
|---|---|---|
| **Plant and equipment** | 5 years | not applicable |
| **Computer equipment** | 3 years | 3 years |
| **Office equipment** | 6 years | 6 years |
| **Leasehold improvements** | the lease term | the lease term |

## (h) Exploration and evaluation costs

Costs arising from exploration activities are carried forward provided such costs are expected to be recouped through successful development or sale, or exploration activities have not reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves. AASB 6 "Exploration for and Evaluation of Mineral Resources" requires that the company perform impairment tests on those assets when facts and circumstances suggest that the carrying amount may be impaired. The impairment testing has been aligned with the factors that must currently be satisfied for capitalisation of exploration and evaluation costs.

Exploration expenses are recognised on a net basis, after offsetting grant income and exploration expenditure written off. Costs carried forward in respect of an area of interest that is abandoned are written off in the year in which the decision to abandon is made.

*Amortisation*

The entity does not currently have any production areas.

*Restoration costs*

Restoration costs that are expected to be incurred are provided for as part of the cost of the exploration, evaluation, development, construction or production phases that give rise to the need for restoration. Accordingly, these costs are recognised gradually over the life of the facility as these phases occur. The costs include obligations relating to reclamation, waste site closure, platform removal and other costs associated with the restoration of the site. These estimates of the restoration obligations are based on anticipated technology and legal requirements and future costs that have been discounted to their present value. Any changes in the estimates are adjusted on a retrospective basis. In determining the restoration obligations, the entity has assumed no significant changes will occur in the relevant Federal and State legislation in relation to restoration of such wells in the future.

## (i) Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

*Operating leases*

Lease payments for operating leases are recognised as an expense on a straight-line basis over the term of the lease.

The group currently has no finance leases.

## (j) Intangibles

*Research and development*

Expenditure on research activities is recognised as an expense when incurred.

Development costs are capitalised when it is probable that the project will be a success considering its commercial and technical feasibility; the entity is able to use or sell the asset; the entity has sufficient resources; and intent to complete the development and its costs can be measured reliably. Capitalised development expenditure is stated at cost less accumulated amortisation. Amortisation commences when the intangible asset is available for use. Other development expenditure is recognised as an expense when incurred.

## (k) Impairment of non-financial assets

Goodwill, intangible assets not yet ready for use and intangible assets that have an indefinite useful life are not subject to amortisation and are therefore tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired.

Exploration and evaluation assets are tested for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount in accordance with AASB 6.

An impairment loss is recognised where the carrying amount of the asset exceeds its recoverable amount. The recoverable amount of an asset is defined as the higher of its fair value less costs to sell and value in use.

# NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2015

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

## (l) Income tax

Current income tax expense or revenue is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities.

*Deferred tax balances*

Deferred tax assets and liabilities are recognised for temporary differences at the applicable tax rates when the assets are expected to be recovered or liabilities are settled. Deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

*Tax consolidation*

Greenearth Energy Limited and its wholly-owned Australian resident entities formed a tax-consolidated group with effect from 1 July 2012. Greenearth Energy Limited is the head entity of the tax-consolidated group. The members of the tax-consolidated group are identified in note 27.

The members of the tax-consolidated group have entered into a tax funding agreement, stipulating that amounts are recognised as payable to or receivable by the company and each member of the group in relation to the tax contribution amounts paid or payable between the parent entity and the other members of the tax-consolidated group in accordance with the agreement. Under the terms of the tax funding agreement, Greenearth Energy Limited and each of the entities in the tax-consolidated group will agree to pay a tax equivalent payment to or from the head entity, based on the current tax liability or current tax asset of the entity.

The tax-consolidated group also has a tax sharing agreement in place to limit the liability of subsidiaries in the tax-consolidated group arising under the joint and several liability requirements of the tax consolidation system, in the event of default by the parent entity to meet its payment obligations.

## (m) Provisions

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

## (n) Employee benefits

*(i) Short-term employee benefit obligations*

Liabilities arising in respect of wages and salaries, annual leave, accumulated sick leave and any other employee benefits expected to be settled within twelve months of the reporting date are measured at the amounts based on remuneration rates which are expected to be paid when the liability is settled. The expected cost of short-term employee benefits in the form of compensated absences such as annual leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

*(ii) Long-term employee benefit obligations*

The provision for employee benefits in respect of long service leave and annual leave which are not expected to be settled within twelve months of the reporting date, are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date.

Employee benefit obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur.

*(iii) Retirement benefit obligations*

The consolidated entity makes contributions to defined contribution superannuation plans in respect of employee services rendered during the year. These superannuation contributions are recognised as an expense in the same period when the employee services are received.

*(iv) Bonus plan*

The consolidated entity recognises a provision when a bonus is payable in accordance with the employee's contract of employment, and the amount can be reliably measured.

*(v) Share-based payments*

The consolidated entity operates a share-based payment employee share option plan. 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 measured at the market price at grant date. In respect of share-based payments that are dependent on the satisfaction of performance conditions, the number of shares and options expected to vest is reviewed and adjusted at each reporting date. The amount recognised for services received as consideration for these equity instruments granted is adjusted to reflect the best estimate of the number of equity instruments that eventually vest.

## (o) Third party share-based payments

From time to time share options are granted to third parties for services rendered. The fair value of the equity to which third parties become entitled is determined by reference to the value of services provided, and recognised as an expense over the period(s) when the services were provided.

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

## (p) Financial instruments

*Classification*

The consolidated entity classifies its financial instruments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the instruments were acquired. Management determines the classification of its financial instruments at initial recognition.

*Non-derivative financial instruments*

Non-derivative financial instruments consist of investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are initially recognised at fair value, plus directly attributable transaction costs (if any), except for instruments recorded at fair value through profit or loss. After initial recognition, non-derivative financial instruments are measured as described below.

*Financial assets at fair value through profit or loss*

Investments in listed securities are carried at fair value through profit or loss. They are measured at their fair value at each reporting date and any increment or decrement in fair value from the prior period is recognised in the profit or loss of the current period. Fair value of listed investments are based on closing prices at the reporting date.

*Held-to-maturity investments*

Fixed term investments intended to be held to maturity are classified as held-to-maturity investments. They are measured at amortised cost using the effective interest rate method.

*Loans and receivables*

Loans and receivables are measured at fair value plus directly attributable transaction costs at inception and subsequently at amortised cost using the effective interest rate method.)

*Available-for-sale*

Available-for-sale financial assets include any financial assets not included in the above categories and are measured at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity. The cumulative gain or loss is held in equity until the financial asset is de-recognised, at which time the cumulative gain or loss held in equity is recognised in profit or loss.

Non-listed investments for which fair value cannot be reliably measured, are carried at cost and tested for impairment.

*Financial liabilities*

Financial liabilities include trade payables, other creditors, loans from third parties and loans or other amounts due to director-related entities.

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

Financial liabilities are classified as current liabilities unless the consolidated entity has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

*Compound financial instruments*

Compound financial instruments issued by the consolidated entity comprise convertible notes that are able to be converted to share capital at the option of the noteholder, and the number of shares to be issued will not vary with changes in their fair value.

The liability component of a compound financial instrument is initially recognised at the fair value of a comparable liability that does not have an equity conversion option. The equity component is initially recognised at the difference between fair value of the compound financial instrument as a whole and the fair value of the liability component. All directly attributable transaction costs are allocated to the liability and equity component on a proportional basis.

After initial recognition, the liability component of the compound financial instrument will be measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not remeasured after initial recognition.

Interest, dividends, losses and gains relating to the financial liability are recognised in profit or loss. Distributions to the equity holders are recognised against equity, net of any tax benefit.

*Impairment of financial assets*

Financial assets are tested for impairment at each financial year end to establish whether there is any objective evidence for impairment.

For loans and receivables or held-to-maturity investments carried at amortised cost, impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The amount of the loss reduces the carrying amount of the asset and is recognised in profit or loss. The impairment loss is reversed through profit or loss if the amount of the impairment loss decreases in a subsequent period and the decrease can be related objectively to an event occurring after the impairment was recognised.

For available-for-sale financial assets carried at cost, impairment loss is measured as the difference between the carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss is not reversed.

For available-for-sale financial assets carried at fair value through other comprehensive income, the impairment loss is measured as the difference between the acquisition cost and current fair value, less any impairment loss previously recognised in profit or loss. If the asset is impaired, the cumulative loss is reclassified from equity to the profit or loss. For equity investments, the impairment loss is not reversed through profit or loss. For debt investments, the impairment loss is reversed through profit or loss if the fair value increases in a subsequent period and the increase can be objectively related to an event occurring after the impairment losses was recognised in profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2015

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

### (q) Investments in associates

An associated entity is an entity over which the consolidated entity is able to exercise significant influence.

The consolidated entity's interests in associates are brought to account using the equity method after initially being recognised at cost. Under the equity method, the profits or losses of the associate is recognised in profit or loss and the share of other comprehensive income items is recognised in other comprehensive income. Details relating to associates are set out in Note 14(a).

Unrealised gains and losses on transactions between the consolidated entity and an associate are eliminated to the extent of the entity's share in an associate.

### (r) Share capital

Issued and paid up capital is recognised at the fair value of the consideration received by the company.

Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

### (s) Foreign currency

*Functional and presentation currency*

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

*Transactions and balances*

Transactions in foreign currencies of entities within the consolidated group are translated into functional currency at the rate of exchange ruling at the date of the transaction.

Foreign currency monetary items that are outstanding at the reporting date (other than monetary items arising under foreign currency contracts where the exchange rate for that monetary item is fixed in the contract) are translated using the spot rate at the end of the financial year.

All resulting exchange differences arising on settlement or re statement are recognised as revenues and expenses for the financial year.

*Foreign subsidiaries*

Entities that have a functional currency different to the presentation currency are translated as follows:

- Assets and liabilities are translated at the closing rate on reporting date;
- Income and expenses are translated at actual exchange rates or average exchange rates for the period, where appropriate; and
- All resulting exchange differences are recognised in other comprehensive income.

### (t) Comparatives

Where necessary, comparative information has been reclassified and repositioned for consistency with current year disclosures.

### (u) Goods and services tax (GST)

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

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

### (v) Accounting standards and interpretations Issued but not Operative at 30 June 2015

The following standards and interpretations have been issued at the reporting date but are not yet effective. The directors' assessment of the impact of these standards and interpretations is set out below.

*AASB 15: Revenue from contracts with customers*

AASB 15 introduces a five step process for revenue recognition with the core principle being for entities to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the entity expects to be entitled in exchange for those goods or services. The five step approach is as follows:

- **Step 1:** Identify the contracts with the customer;
- **Step 2:** Identify the separate performance obligations;
- **Step 3:** Determine the transaction price;
- **Step 4:** Allocate the transaction price; and
- **Step 5:** Recognise revenue when a performance obligation is satisfied.

AASB 15 will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements.

The effective date is annual reporting periods beginning on or after 1 January 2017.

The changes in revenue recognition requirements in AASB 15 may cause changes to the timing and amount of revenue recorded in the financial statements as well as additional disclosures. The impact of AASB 15 has not yet been quantified.

# NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2015

## NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

*AASB 9: Financial Instruments*

This new standard contains significant revisions to the classification and measurement of financial assets, reducing the number of categories and simplifying the measurement choices, including the removal of impairment testing of assets measured at fair value. The amortised cost model is available for debt assets meeting both business model and cash flow characteristics tests. All investments in equity instruments using AASB 9 are to be measured at fair value.

When adopted, the standard could change the classification and measurement of financial assets. AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income for equity investments that are not held for trading. In the current reporting period, the group did not recognise any amounts in other comprehensive income in relation to the movements in the fair value of available for sale financial assets, which are not held for trading.

The new standard amends measurement rules for financial liabilities that the entity elects to measure at fair value through profit and loss. Changes in fair value attributable to changes in the entity's own credit risk are presented in other comprehensive income.

The consolidated entity does not have any financial liabilities that are designated at fair value through profit or loss. The new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss. Therefore, there will be no impact on the consolidated entity's accounting for financial liabilities.

Chapter 6 Hedge Accounting supersedes the general hedge accounting requirements in AASB 139 Financial Instruments: Recognition and Measurement, which many consider to be too rules-based and arbitrary. Chapter 6 requirements include a new approach to hedge accounting that is intended to more closely align hedge accounting with risk management activities undertaken by entities when hedging financial and non-financial risks. Some of the key changes from AASB 139 are as follows:

- to allow hedge accounting of risk components of non-financial items that are identifiable and measurable (many of which were prohibited from being designated as hedged items under AASB 139);
- changes in the accounting for the time value of options, the forward element of a forward contract and foreign-currency basis spreads designated as hedging instruments; and
- modification of the requirements for effectiveness testing (including removal of the 'brightline' effectiveness test that offset for hedging must be in the range 80-125%).

Revised disclosures about an entity's hedge accounting have also been added to AASB 7 Financial Instruments: Disclosures.

Impairment of assets is now based on expected losses in AASB 9 which requires entities to measure:

- the 12-month expected credit losses (expected credit losses that result from those default events on the financial instrument that are possible within 12 months after the reporting date); or
- full lifetime expected credit losses (expected credit losses that result from all possible default events over the life of the financial instrument.

The effective date is annual reporting periods beginning on or after 1 January 2018.

The impact of changes in hedge accounting requirements on the reported financial position and performance is dependent on the volume and value of future derivatives. Other impacts on the reported financial position and performance have not yet been determined.

The consolidated entity has decided not to early adopt AASB 9 at 30 June 2015. Other standards and interpretations have been issued at the reporting date but are not yet effective. When adopted, these standards and interpretations are likely to impact on the financial information presented. However, the assessment of impact has not yet been completed.

## NOTE 2: SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

Certain accounting estimates include assumptions concerning the future, which, by definition, will seldom represent actual results. Estimates and assumptions based on future events have a significant inherent risk, and where future events are not as anticipated there could be a material impact on the carrying amounts of the assets and liabilities discussed below:

### (a) Impairment of non-financial assets other than goodwill

All assets are assessed for impairment at each reporting date by evaluating whether indicators of impairment exist in relation to the continued use of the asset by the consolidated entity. Impairment triggers include declining product or manufacturing performance, technology changes, adverse changes in the economic or political environment or future product expectations. If an indicator of impairment exists the recoverable amount of the asset is determined. Recoverable amounts represented by value in use calculations are based on projected cash flows determined based on management expectations of future business performance.

### (b) Impairment of financial assets

Financial assets (other than financial assets carried at fair value) are assessed for impairment at each reporting date in accordance with note 1(p). Where such an assessment requires determination of the present value of future cash flows, consideration is given to anticipated methods of realisation of future cash flows, estimates of the amounts of future cash flows, and appropriate discount rates.

### (c) Income tax

Deferred tax assets and liabilities are based on the assumption that no adverse change will occur in the income tax legislation and the anticipation that the group will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law. Deferred tax assets arising from tax losses are not recognised at balance date as realisation of the benefit is not probable.

# NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2015

**NOTE 2: SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)**

### (d) Fair value measurements

Certain financial assets and liabilities are measured at fair value, or assessed for impairment based on recoverable amounts represented by estimated fair value. Fair values have been determined in accordance with fair value measurement hierarchy. Refer to Note 4 for the details of the fair value measurement key assumptions and inputs.

### (e) Employee benefits

Calculation of long term employment benefits requires estimation of the retention of staff, future remuneration levels and timing of the settlement of the benefits. The estimates are based on historical trends.

### (f) Share based payments

Calculation of share based payments requires estimation of the timing of the exercise of the underlying equity instrument. The estimates are based on historical trends and are calculated using the Black Scholes method.

### (g) Deferred exploration expenditure

Exploration expenditure is carried forward when management expect that the expenditure can be recouped through successful development and exploration of the area of interest. In this event management will consider impairment of deferred exploration expenditure in accordance with note 1(h) and 1(j). Where sufficient data does not exist to indicate successful development and there is an ongoing commitment to significant exploration in the area of interest, the exploration expenditure is carried forward.

### (h) Provision for restoration costs

Restoration costs that are expected to be incurred are provided for as part of the cost of the deferred exploration expenditure. The costs include obligations relating to reclamation, waste site closure, platform removal and other costs associated with the restoration of the site. These costs are estimated and are based on the anticipated technology and legal requirements and future costs. These costs are also dependent on there being no significant changes to relevant federal and state legislation.

**NOTE 3: FINANCIAL RISK MANAGEMENT**

The consolidated entity is exposed to a variety of financial risks comprising:

- Market price risk
- Currency risk
- Interest rate risk
- Credit risk
- Liquidity risk

The board of Directors has overall responsibility for identifying and managing operational and financial risks.

The consolidated entity holds the following financial instruments:

| | Notes | 2015 $ | 2014 $ |
|---|---|---|---|
| **Financial assets** | | | |
| Cash and cash equivalents | 9 | 2,572,164 | 3,187,415 |
| Receivables | 10 | 837,281 | 353,925 |
| Financial assets at fair value through profit and loss classified as held for trading | 12 | 7,066 | 15,702 |
| Security deposits for exploration permits | 12 | 54,124 | 54,124 |
| | | 3,470,635 | 3,611,166 |
| **Financial liabilities** | | | |
| Payables | 17 | 891,538 | 891,620 |
| Other financial liabilities | 18 | - | 530,786 |
| | | 891,538 | 1,422,406 |

# NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2015

**NOTE 3: FINANCIAL RISK MANAGEMENT (continued)**

## (a) Market price risk

Market or price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk).

Investments in listed securities at fair value through profit and loss are measured at fair value at reporting date based on quoted market prices.

Investments in non-listed securities are made after an assessment has been made in terms of how the investment achieves or enhances the company's abilities of achieving its corporate objectives. To determine the fair value of these investments and monitor their performance, assessments of similar listed securities are undertaken and comparisons are made. When assessments are carried out a number of other factors are also taken into account such as the investment's abilities to achieve its initial stated objectives, the level of progress made towards achieving objectives and similar external transactions which may assist in establishing a base for determining fair value.

*Sensitivity*

If security prices were to increase/decrease by 15% from fair values as at the reporting date, assuming all other variables that might impact on fair value remain constant, then the impact on profit for the year and equity is below. This risk is managed by monitoring security prices on a regular basis. .

| | 2015 $ | 2014 $ |
|---|---|---|
| **+/- 15% price variation** | | |
| Impact on profit or loss after tax | 1,060 | 2,355 |
| Impact on equity | 1,060 | 2,355 |

## (b) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. At 30 June 2015 the consolidated entity held $589,891 (2014: $501,274) in foreign bank accounts.

The group undertakes transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed to the extent considered appropriate based on the level of activity.

The carrying amounts of the group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows.

| | Liabilities | | Assets | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| Unites States Dollar (USD) | 210,084 | 732,388 | 589,891 | 501,274 |

*Sensitivity*

If foreign exchange rates were to increase/decrease by 15% from rates used to determine fair values of all financial instruments as at the reporting date, assuming all other variables that might impact on fair value remain constant, then the impact on profit for the year and equity is as follows. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 15% change in foreign exchange rates.

| | 2015 $ | 2014 $ |
|---|---|---|
| **15% appreciation of AUD against USD** | | |
| Impact on profit or loss after tax | (74,181) | 36,802 |
| Impact on equity | (74,181) | 36,802 |
| **15% depreciation of AUD against USD** | | |
| Impact on profit or loss after tax | 74,181 | (36,802) |
| Impact on equity | 74,181 | (36,802) |

## (c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates.

The company does not currently have any interest bearing debt. Cash deposits attract interest at the prevailing floating interest rates, which for interest bearing deposits is currently 2.6%.

No other financial assets or financial liabilities are expected to be exposed to interest rate risk.

# NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2015

**NOTE 3: FINANCIAL RISK MANAGEMENT (continued)**

## (d) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The maximum exposure to credit risk at balance date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements.

The consolidated entity's only material credit risk exposure to any single receivable or group of receivables under financial instruments entered into by the entity is in relation to a convertible loan receivable from NewCO2Fuels Ltd (an associated entity) of $651,042 (2014: $nil), details of which are disclosed in Note 10.

*i) Cash deposits*

Credit risk for cash deposits is managed by holding all cash deposits with major Australian banks.

*ii) Trade receivables*

Credit risk for trade receivables is managed by setting credit limits and completing credit checks for new customers. Outstanding receivables are regularly monitored for payment in accordance with credit terms.

*iii) Other receivables*

Credit risk for other receivables is managed by ensuring the group only trades with parties that are able to trade on the group's credit terms.

## (e) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The group manages liquidity risk by forecasting and monitoring cash flows on a continuing basis.

*Maturity analysis*

For financial instruments held by the Group at balance date, the table below represents the undiscounted contractual settlement terms for financial instruments and management's expectation for settlement of undiscounted maturities.

| | < 6 Months | 6-12 months | 1-5 years | Total contractual cash flows |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| Cash and cash equivalents | 2,572,164 | - | - | 2,572,164 |
| Receivables | 852,622 | - | - | 852,622 |
| Other financial assets | 61,190 | - | - | 61,190 |
| Payables | (869,499) | (22,039) | - | (891,538) |
| Other financial liabilities | - | - | - | - |
| Net maturities | 2,616,477 | (22,039) | - | 2,594,438 |

For all items shown above, the carrying amounts are equal to the total contractual cash flows, except receivables. Details of adjustments to the carrying amount of receivables are detailed in note 10.

## (f) Fair values compared to carrying amounts

The net fair value of financial assets and financial liabilities approximate their carrying amounts as disclosed in the consolidated statement of financial position and notes to the consolidated financial statements.

**NOTE 4: FAIR VALUE MEASUREMENTS**

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

All financial assets at fair value through profit or loss totalling $7,066 (2014: $15,702) as disclosed in Note 12 are classified as Level 1 items in the fair value hierarchy. There were no transfers between level 1 and level 2 during the year.

Investments in equity accounted associated entities and convertible loans receivable from associates have been assessed for impairment by reference to fair value. Fair value has been determined through application of the market approach, by using the comparable company valuation technique. This technique involves the use of level 3 inputs, specifically valuation inputs (such as multiples) by reference to the same valuation inputs applied to comparable entities. Adjustments are made as required to ensure comparability, for factors such as liquidity and size.

# NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2015

| | Notes | 2015 $ | 2014 $ |
|---|---|---|---|
| **NOTE 5: REVENUE AND OTHER INCOME** | | | |
| **Revenue and other income from continuing operations** | | | |
| *Sales revenue* | | | |
| Sales of goods | | 637,176 | 661,297 |
| *Other income* | | | |
| Gain recognised on change in ownership of associate | 14(b) | - | 2,161,151 |
| Interest | | 9,712 | 11,123 |
| Net foreign exchange gain | | - | 16,308 |
| Rental income | | 12,000 | 12,000 |
| Research and development tax concession rebate | | 467,330 | 203,091 |
| Unrealised gain on fair value of investments | | - | 7,066 |
| Doubtful debts recovered | | 45,284 | - |
| Other income | | 2,514 | 70,776 |
| | | 536,840 | 2,481,515 |
| **NOTE 6: LOSS FROM CONTINUING OPERATIONS** | | | |
| Loss from continuing operations before income tax has been determined after the following specific expenses: | | | |
| *Employee benefits expense* | | | |
| Share-based payments expense | (a) | 102,807 | 211,013 |
| Directors' fees | (b) | 176,111 | - |
| Other employee benefits | | 1,797,561 | 971,796 |
| | | 2,076,479 | 1,182,809 |
| (a) Share-based payments expenses represents the non-cash notional value of equity options - refer to note 1(n). | | | |
| (b) For further information on Directors' fees, refer to part (E)(b) of the Remuneration Report within the Directors' Report. | | | |
| *Depreciation and amortisation of non-current assets* | | | |
| Plant and equipment | 15(a) | 2,024 | - |
| Office equipment | 15(a) | 135 | 190 |
| Computer equipment | 15(a) | 6,893 | 2,917 |
| Leasehold improvements | 15(a) | 7,013 | 10,514 |
| | | 16,065 | 13,621 |

# NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2015

| | Notes | 2015 $ | 2014 $ |
|---|---|---|---|
| **NOTE 6: LOSS FROM CONTINUING OPERATIONS (continued)** | | | |
| *Impairment expense* | | | |
| Impairment of exploration and evaluation assets | 16 | 2,152,288 | - |
| | | 2,152,288 | - |
| *Administrative expenses* | | | |
| Travel and accommodation | | 168,995 | 84,669 |
| Share registry costs | | 60,563 | 134,391 |
| Legal fees | | 63,159 | 72,622 |
| Insurance premiums | | 60,049 | 80,757 |
| General and office expenses | | 301,266 | 255,697 |
| | | 654,032 | 628,136 |
| *Other expenses* | | | |
| Writedowns of inventory to net realisable value | | 22,037 | 7,124 |
| Net foreign exchange loss | | 17,220 | - |
| Product research | | 204,401 | 101,871 |
| Warranty expenses | | 3,296 | 1,954 |
| | | 246,954 | 110,949 |
| **NOTE 7: INCOME TAX** | | | |
| **(a) Components of tax expense** | | | |
| Current tax | | - | - |
| Deferred tax | | - | - |
| Under/(over) provision in prior years | | - | - |
| | | - | - |
| **(b) Prima facie tax payable** | | | |
| The prima facie tax payable on profit/(loss) before income tax is reconciled to the income tax expense as follows: | | | |
| Profit/(loss) before tax from continuing operations | | (5,986,012) | (226,112) |
| Total profit/(loss) before income tax | | (5,986,012) | (226,112) |
| Prima facie income tax benefit on loss before income tax at 30% (2014: 30%): | | (1,795,804) | (67,834) |
| *Add/(less) tax effect of:* | | | |
| Movement in deferred tax assets not brought to account | 7(c) | 1,924,419 | 116,299 |
| Non deductible and non assessable items | | (128,615) | (48,465) |
| Income tax expense attributable to loss | | - | - |

# NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2015

| | Notes | 2015 $ | 2014 $ |
|---|---|---|---|
| **NOTE 7: INCOME TAX (continued)** | | | |
| **(c) Deferred tax assets not brought to account** | | | |
| Tax losses and temporary differences | | 4,291,157 | 2,366,738 |
| **NOTE 8: DIVIDENDS** | | | |
| No dividends have been paid or provided for in respect of the financial year. | | | |
| **NOTE 9: CASH AND CASH EQUIVALENTS** | | | |
| Cash at bank | | 2,571,553 | 3,186,866 |
| Cash on hand | | 611 | 549 |
| | | 2,572,164 | 3,187,415 |
| **NOTE 10: RECEIVABLES** | | | |
| *Current* | | | |
| Trade receivables | | 57,531 | 64,627 |
| Less: provision for impairment | (a) | (15,341) | (60,625) |
| | | 42,190 | 4,002 |
| Convertible loan receivable from associate | | 651,042 | - |
| Other receivables | | 144,049 | 349,923 |
| | | 837,281 | 353,925 |

**(a) Provision for impairment**

*(i) Trade receivables*

Trade receivables are non-interest bearing and usually have 30 day terms. An impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired. The impairment losses have been included within Impairment Expense in the consolidated statement of comprehensive income.

*(ii) Convertible loan receivable from associate*

The convertible loan receivable from NewCO2Fuels Ltd ("NCF", an associate of the group), is a secured non interest bearing loan with a face value of USD $500,000. It is redeemable on 30 September 2015 unless the group elects to convert it to ordinary shares in NCF. If converted, the group may elect for the conversion to count towards the group's investment of up to USD $3m in NCF (refer note 14(b)(ii)).

*(iii) Other receivables*

Other receivables includes amounts receivable from the Australian Taxation Office.

# NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2015

| | Notes | 2015 $ | 2014 $ |
|---|---|---|---|
| **NOTE 10: RECEIVABLES (continued)** | | | |
| *Movements in the provision for impairment were:* | | | |
| Opening balance at 1 July | | 60,625 | 60,625 |
| Charge for the year | | - | - |
| Recovery of amounts previously provided | | (45,284) | - |
| Amounts written off | | - | - |
| Closing balance at 30 June | | 15,341 | 60,625 |

Trade and other receivables ageing analysis at 30 June is:

| | Gross $ | Impairment $ |
|---|---|---|
| **Balances as at 30 June 2015:** | | |
| Not past due | 803,229 | - |
| Past due 31-60 days | 10,454 | - |
| Past due 61-90 days | 319 | - |
| Past due more than 91 days | 38,620 | 15,341 |
| | 852,622 | 15,341 |
| **Balances as at 30 June 2014:** | | |
| Not past due | 313,890 | - |
| Past due 31-60 days | 21,296 | - |
| Past due 61-90 days | - | - |
| Past due more than 91 days | 79,364 | 60,625 |
| | 414,550 | 60,625 |

| | 2015 $ | 2014 $ |
|---|---|---|
| **NOTE 11: INVENTORIES** | | |
| Inventories at cost: | | |
| - on hand | 603,355 | 189,260 |
| - on consignment | 44,703 | 108,520 |
| - in transit | 2,565 | 199,731 |
| | 650,623 | 497,511 |
| Write downs of inventories to net realisable value recognised as an expense during the year | 22,037 | 7,124 |

# NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2015

| | Notes | 2015 $ | 2014 $ |
|---|---|---|---|
| **NOTE 12: OTHER FINANCIAL ASSETS** | | | |
| *Current* | | | |
| Financial assets at fair value through profit or loss classified as held for trading: | | | |
| Shares in listed entities | | 7,066 | 15,702 |
| Total financial assets at fair value through profit or loss | | 7,066 | 15,702 |
| Security deposits for exploration permits | | 54,124 | 54,124 |
| | | 61,190 | 69,826 |

Security deposits for exploration permits are interest bearing. The deposits are refundable upon the exploration permits being relinquished.

| | Notes | 2015 $ | 2014 $ |
|---|---|---|---|
| **NOTE 13: OTHER ASSETS** | | | |
| Prepayments | | 125,022 | 8,716 |
| **NOTE 14: EQUITY ACCOUNTED INVESTMENTS** | | | |
| Equity accounted associated entities | (a) | 698,826 | 1,190,577 |

**(a) Associated entities**

Investments in associated entities are accounted for using the equity method. Interests are held in the following associated entities:

| Associates | Equity instrument | Ownership interest | | Carrying amounts | |
|---|---|---|---|---|---|
| | | 2015 % | 2014 % | 2015 $ | 2014 $ |
| NewCO2Fuels Limited | Ordinary Shares | 33.33% | 33.33% | 638,040 | 1,157,412 |
| PT Geopower Indonesia | Ordinary Shares | 40% | 40% | 60,786 | 33,165 |
| | | | | 698,826 | 1,190,577 |

The principal activity of PT Geopower Indonesia is clean technology distribution. PT Geopower Indonesia is incorporated in Indonesia.

The principal activity of NewCO2Fuels Limited is the development and commercialisation of technology which focuses on the conversion of $CO_2$ to fuel. NewCO2Fuels Ltd is incorporated in Israel.

The group's investment in NewCO2Fuels Limited is represented in these financial statements by:

| | Notes | 2015 $ | 2014 $ |
|---|---|---|---|
| Convertible loan receivable from associate | 10 | 651,042 | - |
| Equity accounted investment in associate | 14(a) | 638,040 | 1,157,412 |
| | | 1,289,082 | 1,157,412 |

# NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2015

| | Notes | 2015 $ | 2014 $ |
|---|---|---|---|

**NOTE 14: EQUITY ACCOUNTED INVESTMENTS (continued)**

**(b) Summarised financial information for associates**

Summarised financial information in respect of each of the Group's material associates is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with AASBs adjusted by the Group for equity accounting purposes.

| | 2015 $ | 2014 $ |
|---|---|---|
| *(i) NewCO2Fuels Ltd* | | |
| Current assets | 390,767 | 911,793 |
| Non-current assets | 5,950,485 | 5,999,645 |
| Current liabilities | 1,161,008 | 291,675 |
| Non-current liabilities | 7,493,918 | 6,109,691 |
| Revenue | - | - |
| Net profit/(loss) from continuing operations | (2,331,424) | (690,586) |
| Other comprehensive income | - | - |
| Total comprehensive income | (2,331,424) | (690,586) |
| Reconciliation of the above summarised financial information to the carrying amount of the interest in NewCO2Fuels Ltd recognised in the consolidated financial statements: | | |
| Net assets of the associate | (2,313,674) | 510,072 |
| Proportion of the Group's ownership interest in NewCO2Fuels Ltd | 33.33% | 33.33% |
| Group's share of net assets | (771,148) | 170,007 |
| Goodwill and other adjustments including unrealised currency translation impacts | 1,409,188 | 987,405 |
| Carrying amount of the Group's interest in NewCO2Fuels Ltd | 638,040 | 1,157,412 |
| *(ii) PT Geopower Indonesia* | | |
| Net loss from continuing operations | (76,331) | (72,629) |
| Other comprehensive income | - | - |
| Total comprehensive income | (76,331) | (72,629) |

**(c) Change in the Group's ownership interest in an associate**

*(i) Investment disposed during the year - NewCO2Fuels Ltd*

For part of the prior year, the Group held a 50% interest in NewCO2Fuels Ltd and accounted for the investment as an associate. In June 2014, the Group disposed of its original 50% interest in NewCO2Fuels Ltd to a third party, having previously issued an option over that investment. Proceeds on disposal totalling $3.6 million were received progressively over a three year period ending in June 2014. These proceeds included the Purchase Option and Advance on Purchase Option amounts shown in the statement of financial position prior to 30 June 2014 as deferred revenue. This transaction resulted in the recognition in the previous financial year of a gain in profit or loss, calculated as follows:

| | 2015 $ | 2014 $ |
|---|---|---|
| Proceeds of disposal | - | 3,611,021 |
| Less: carrying amount of investment at disposal | - | (1,449,870) |
| Gain recognised | - | 2,161,151 |

| | Notes | 2015 $ | 2014 $ |
|---|---|---|---|

## NOTE 14: EQUITY ACCOUNTED INVESTMENTS (continued)

### (c) Change in the Group's ownership interest in an associate

*(ii) Investment acquired during the year - NewCO2Fuels Ltd*

In June 2014, the Group entered into an agreement to acquire a 33.33% interest in NewCO2Fuels Ltd (concurrent with the disposal of its previous 50% interest, as described above). The new investment allowed the Group to invest up to USD $3m by January 2015 (since amended to October 2015), with a minimum investment of USD $1m. The Group's 33.33% interest is subject to partial claw-back should less than USD $3m ultimately be invested by the Group. The maximum possible claw-back would result in the Group retaining an interest of 24% instead of 33.33%.

The minimum new investment amount was recognised at 30 June 2014 as an investment in associate, with the unpaid portion of the minimum investment recognised as a liability (refer note 18). The difference between the total investment amount and the cumulative investment amount (2014: minimum investment amount) represents a contingent asset and a contingent liability as follows:

| | 2015 $ | 2014 $ |
|---|---|---|
| Contingent asset relating to interest in associate | 1,692,708 | 2,123,142 |
| Contingent liability relating to interest in associate | 1,692,708 | 2,123,142 |

## NOTE 15: PROPERTY PLANT AND EQUIPMENT

| | 2015 $ | 2014 $ |
|---|---|---|
| *Plant and equipment* | | |
| At cost | 117,755 | - |
| Accumulated depreciation | (2,024) | - |
| | 115,731 | - |
| *Office equipment* | | |
| At cost | 3,409 | 3,409 |
| Accumulated depreciation | (3,069) | (2,934) |
| | 340 | 475 |
| *Computer equipment* | | |
| At cost | 43,833 | 24,190 |
| Accumulated depreciation | (24,074) | (17,181) |
| | 19,759 | 7,009 |
| *Leasehold equipment* | | |
| At cost | 222,155 | 222,155 |
| Accumulated amortisation | (208,108) | (201,095) |
| | 14,047 | 21,060 |
| Total plant and equipment | 149,877 | 28,544 |

# NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2015

| | Notes | 2015 $ | 2014 $ |
|---|---|---|---|
| **NOTE 15: PROPERTY PLANT AND EQUIPMENT (continued)** | | | |
| **(a) Reconciliations** | | | |
| Reconciliations of the carrying amounts of property, plant and equipment at the beginning and end of the current financial year | | | |
| *Plant and equipment* | | | |
| Carrying amount at beginning of year | | - | - |
| Additions | | 117,755 | - |
| Depreciation | | (2,024) | - |
| Carrying amount at end of year | | 115,731 | - |
| *Office equipment* | | | |
| Carrying amount at beginning of year | | 475 | 665 |
| Depreciation | | (135) | (190) |
| Carrying amount at end of year | | 340 | 475 |
| *Computer equipment* | | | |
| Carrying amount at beginning of year | | 7,009 | 2,697 |
| Additions | | 19,643 | 7,229 |
| Depreciation | | (6,893) | (2,917) |
| Carrying amount at end of year | | 19,759 | 7,009 |
| *Leasehold improvements* | | | |
| Carrying amount at beginning of year | | 21,060 | 31,574 |
| Depreciation | | (7,013) | (10,514) |
| Carrying amount at end of year | | 14,047 | 21,060 |

# NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2015

| | Notes | 2015 $ | 2014 $ |
|---|---|---|---|
| **NOTE 16: EXPLORATION AND EVALUATION ASSETS** | | | |
| At cost | | 2,152,288 | 2,146,783 |
| less provision for impairment | | (2,152,288) | - |
| | (a) | - | 2,146,783 |
| **(a) Reconciliation** | | | |
| Opening balance | | 2,146,783 | 2,134,401 |
| Net expenditure incurred during the year | | 10,592 | 21,651 |
| Offsets from rebates and grants | | (5,087) | (9,269) |
| Impairment charge | | (2,152,288) | - |
| Closing balance | | - | 2,146,783 |

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.

| | Notes | 2015 $ | 2014 $ |
|---|---|---|---|
| **NOTE 17: PAYABLES** | | | |
| Trade payables | | 343,705 | 329,507 |
| Amounts payable to related parties | 28(b) | 62,970 | 54,136 |
| Accrued inventory purchases | | 130,625 | 120,152 |
| Other payables | | 354,238 | 387,825 |
| | | 891,538 | 891,620 |

Trade payables are non-interest bearing and usually have 30 day terms.

| | Notes | 2015 $ | 2014 $ |
|---|---|---|---|
| **NOTE 18: OTHER FINANCIAL LIABILITIES** | | | |
| Consideration payable | | - | 530,786 |

Consideration payable represents the balance of the minimum investment amount owing at 30 June 2014 to NewCO2Fuels Ltd (an associate of the Group) in accordance with an agreement to potentially ultimately acquire a 33.33% interest in NewCO2Fuels Ltd, as described in note 14(b)(ii).

# NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2015

| | Notes | 2015 $ | 2014 $ |
|---|---|---|---|
| **NOTE 19: PROVISIONS** | | | |
| *Current* | | | |
| Employee benefits | | 87,413 | 64,424 |
| *Non-current* | | | |
| Employee benefits | | 20,542 | 10,372 |
| Restoration costs | | 15,000 | 15,000 |
| | | 35,542 | 25,372 |
| Aggregate employee benefits liability | | 107,955 | 74,796 |
| **NOTE 20: SHARE CAPITAL** | | | |
| **(a) Issued and paid up capital** | | | |
| 246,975,003 (2014: 197,580,003) ordinary shares fully paid | | 23,708,815 | 19,716,215 |

The company does not have a limited amount of authorised capital and issued shares do not have a par value.

**(b) Movements in shares on issue**

| | Number of shares | | $ | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| Beginning of the financial year | 197,580,003 | 118,801,598 | 19,716,215 | 15,242,580 |
| Shares issued during the year: | | | | |
| - Placement (i) | 49,395,000 | - | 4,198,575 | - |
| - Placement (ii) | - | 27,739,910 | - | 693,498 |
| - Placement (iii) | - | 43,233,330 | - | 3,242,500 |
| - Share Purchase Plan (iv) | - | 7,805,165 | - | 585,387 |
| Transaction costs of equity issued | - | - | (205,975) | (47,750) |
| End of the financial year | 246,975,003 | 197,580,003 | 23,708,815 | 19,716,215 |

(i) 49,395,000 shares were issued during the year for 8.5 cents per share persuant to a share placement.

(ii) 27,739,910 shares were issued during the prior year for 2.5 cents per share persuant to a share placement.

(ii) 43,233,330 shares were issued during the prior year for 7.5 cents per share persuant to a share placement.

(iv) 7,805,165 shares were issued during the prior year for 7.5 cents per share persuant to a share purchase plan.

**NOTE 20: SHARE CAPITAL (continued)**

**(c) Terms and conditions of share capital**

*Ordinary shares*

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the company.

**(d) Share options**

Options over ordinary shares:

*(i) Options issued to directors and employees*

The issue of options provides an effective way for the directors to give employees a chance to share in the success of the company and enhance the ability of the company to retain staff of the required calibre, at a lower rate of remuneration that might otherwise be required.

As part of the director annual remuneration review, consideration is given to individual employee's performance, workload and dedication to achieving the company's objectives when deciding whether or not to award options as an incentive.

Details of options issued to directors and employees are provided in note 26(a).

**(e) Capital management**

When managing capital, management's objective is to ensure the entity continues as a going concern as well as ensuring there are sufficient funds to meet commitments, which is performed via monitoring of historical and forecast performance.

# NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2015

| | Notes | 2015 $ | 2014 $ |
|---|---|---|---|
| **NOTE 21: RESERVES AND ACCUMULATED LOSSES** | | | |
| Employee equity benefits reserve | (a) | 367,807 | 265,000 |
| Transactions with non-controlling interests reserve | (b) | (302,521) | (302,521) |
| Total reserves | | 65,286 | (37,521) |
| Accumulated losses | (c) | 19,653,274 | 13,667,262 |

**(a) Employee equity benefits reserve**

*(i) Nature and purpose of reserve*

This reserve represents the fair value of options granted to staff and directors as detailed in Notes 20(d)(i) and 26(a).

*(ii) Movements in reserve*

| | 2015 $ | 2014 $ |
|---|---|---|
| Balance at beginning of year | 265,000 | 53,987 |
| Issue of options to directors and employees | 102,807 | 211,013 |
| Balance at end of year | 367,807 | 265,000 |

**(b) Transactions with non-controlling interests reserve**

*(i) Nature and purpose of reserve*

The transactions with non-controlling interests reserve is used to record differences arising as a result of transactions with non-controlling interests that do not result in a loss of control.

**(c) Accumulated losses**

| | 2015 $ | 2014 $ |
|---|---|---|
| Balance at beginning of year | 13,667,262 | 13,441,150 |
| Net loss attributable to members of the parent | 5,986,012 | 226,112 |
| Balance at end of year | 19,653,274 | 13,667,262 |

# NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2015

| | Notes | 2015 $ | 2014 $ |
|---|---|---|---|
| **NOTE 22: CASH FLOW INFORMATION** | | | |
| **(a) Reconciliation of cash flow from operations to loss after income tax** | | | |
| Loss from ordinary activities after income tax | | (5,986,012) | (226,112) |
| Non-cash items | | | |
| Depreciation of property, plant and equipment | | 16,065 | 13,621 |
| Unrealised loss/(gain) on fair value of investments held | | 8,636 | (7,066) |
| Gain recognised on change in ownership of associate | | - | (2,161,151) |
| Share of associates' loss | | 804,066 | 419,850 |
| Doubtful debts recovered | | (45,284) | - |
| Share based payments expense | | 102,807 | 211,013 |
| Exchange difference on translation of foreign currency | | (21,978) | 11,003 |
| Impairment loss | | 2,152,288 | - |
| Writedowns of inventory to net realisable value | | 22,037 | 7,124 |
| Changes in assets and liabilities | | | |
| Increase in exploration and evaluation assets | | (5,506) | (12,382) |
| Decrease in receivables | | 218,412 | 26,374 |
| Increase in other assets | | (116,306) | (425) |
| Decrease/(increase) in inventory | | (153,112) | 163,756 |
| Increase/(decrease) in payables | | 8,759 | (103,210) |
| Increase in employee benefits | | 33,159 | 42,391 |
| Net cash flows used in operating activities | | (2,961,969) | (1,615,214) |

**(b) Reconciliation of cash**

Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

| | Notes | 2015 $ | 2014 $ |
|---|---|---|---|
| Cash at bank | | 2,571,553 | 3,186,866 |
| Cash on hand | | 611 | 549 |
| | | 2,572,164 | 3,187,415 |

# NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2015

| | Notes | 2015 $ | 2014 $ |
|---|---|---|---|
| **NOTE 23: COMMITMENTS** | | | |
| **Lease expenditure commitments** | | | |
| *Operating leases (non-cancellable)* | | | |
| Minimum lease payments: | | | |
| Not later than one year | | 165,169 | - |
| Later than one year and not later than five years | | 399,906 | - |
| | | 565,075 | - |

Operating lease commitments relate to lease of office premises.

| | | 2015 $ | 2014 $ |
|---|---|---|---|
| **Capital expenditure commitments** | | | |
| *Technology* | | | |
| Estimated aggregate amount payable: | | | |
| Not later than one year | | 289,101 | - |

Capital expenditure commitments for technology relate to commitments for purchases of inventory and plant and equipment.

| | | 2015 $ | 2014 $ |
|---|---|---|---|
| *Exploration* | | | |
| Not later than one year | | - | - |

The company retains interests in geothermal exploration tenements via direct ownership. To continue these interests a work program is maintained in each tenement for periods up to five years. The work programs have minimum expenditure requirements and carry no formal commitments or legal obligations but are an indication of the tasks required to be completed to retain the permit.

At the company's request, the Victorian Government granted suspensions for the the work program requirements associated with the company's geothermal exploration permits (GEP10, GEP12 and GEP13) due to the lack of geothermal funding by Government and current government policy relating to a moratorium on "fraccing" (hydraulic stimulation) and well activity. The relief initially extended until May 2015, and Greenearth has since been in discussions with the Victorian Government in relation to extension of the relief and future permit requirements in the context of the current moratorium.

The company is not committed to this expenditure while its work program is suspended.

| | | 2015 $ | 2014 $ |
|---|---|---|---|
| **Bank guarantees** | | | |
| *Exploration* | | | |
| Maximum amount bank may call | | 45,000 | 45,000 |

# NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2015

| | Notes | 2015 $ | 2014 $ |
|---|---|---|---|
| **NOTE 24: CONTINGENCIES** | | | |

As at balance date, the company had no contingent assets or liabilities other than those relating to its interests in associates (refer note 14).

## NOTE 25: LOSS PER SHARE

| | Notes | 2015 $ | 2014 $ |
|---|---|---|---|
| *(i) Loss per share attributable to equity holders of the parent* | | | |
| Reconciliation of loss used in calculating loss per share: | | | |
| Net loss attributable to equity holders of the parent entity | | (5,986,012) | (226,112) |
| Net loss used in calculating basic and diluted loss per share | | (5,986,012) | (226,112) |
| Weighted average number of ordinary shares used in calculating basic earnings per share | | 208,541,633 | 142,108,356 |
| Effect of dilutive securities: | | | |
| Share options | | - | - |
| Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share | | 208,541,633 | 142,108,356 |

Due to losses incurred all potential ordinary shares that could potentially dilute basic loss per share in the future were considered to be anti-dilutive and therefore not included in the calculation of diluted loss per share. Accordingly basic and diluted loss per share equate.

# NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2015

**NOTE 26: SHARE BASED PAYMENTS**

**(a) Employee option plan**

The Group has an ownership-based compensation scheme for executives and senior employees, for the purposes of recognising the ability and efforts of employees (including officers) who have contributed to its success, provide an incentive for employees to achieve the long term objectives of the Group and improve its performance, and attract and retain persons of experience and ability. In accordance with the terms of the plan, as approved by shareholders at a previous annual general meeting, employees may be granted options to purchase ordinary shares.

Each employee share option converts into one ordinary share of Greenearth Energy Ltd on exercise. No amounts are paid or payable by the recipient on receipt of the option. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

Details of the options granted are provided below:

| 2015 | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Grant date | Vesting date | Expiry date | Exercise price | Balance at beginning of year | Granted during the year | Fair value ($)* | Exercised during the year | Expired during the year | Balance at the end of the year | Exercisable at the end of the year |
| 1/10/2012 | 1/10/2013 | 30/09/2017 | 10c | 1,000,000 | - | | - | - | 1,000,000 | 1,000,000 |
| 1/10/2012 | 1/10/2013 | 30/09/2017 | 15c | 2,000,000 | - | | - | - | 2,000,000 | 2,000,000 |
| 20/12/2012 | 20/12/2013 | 30/09/2017 | 10c | 2,000,000 | - | | - | - | 2,000,000 | 2,000,000 |
| 20/12/2012 | 20/12/2013 | 30/09/2017 | 15c | 3,000,000 | - | | - | - | 3,000,000 | 3,000,000 |
| 20/12/2012 | 20/12/2012 | 30/09/2017 | 15c | 5,000,000 | - | | - | - | 5,000,000 | 5,000,000 |
| 18/12/2013 | 1/07/2014 | 30/09/2018 | 7.5c | 2,000,000 | - | | - | - | 2,000,000 | 2,000,000 |
| 18/12/2013 | 1/07/2014 | 30/09/2018 | 10c | 3,000,000 | - | | - | - | 3,000,000 | 3,000,000 |
| 4/02/2014 | 2/02/2015 | 2/02/2017 | 15c | 1,625,000 | - | | - | 500,000 | 1,125,000 | 1,125,000 |
| 4/02/2014 | 2/02/2015 | 2/02/2017 | 20c | 1,125,000 | - | | - | 500,000 | 625,000 | 625,000 |
| 4/02/2014 | 4/02/2014 | 30/09/2017 | 15c | 1,000,000 | - | | - | - | 1,000,000 | 1,000,000 |
| 4/02/2014 | 4/02/2014 | 30/09/2017 | 20c | 1,000,000 | - | | - | - | 1,000,000 | 1,000,000 |
| 22/08/2014 | 14/07/2015 | 30/06/2019 | 15c | - | 500,000 | 0.016 | - | - | 500,000 | - |
| 22/08/2014 | 14/07/2015 | 30/06/2019 | 20c | - | 500,000 | 0.013 | - | - | 500,000 | - |
| 1/09/2014 | 1/09/2015 | 30/09/2017 | 15c | - | 100,000 | 0.024 | - | 50,000 | 50,000 | - |
| 1/09/2014 | 1/09/2015 | 30/09/2017 | 20c | - | 100,000 | 0.021 | - | 50,000 | 50,000 | - |
| 18/12/2014 | 18/12/2015 | 30/09/2017 | 15c | - | 2,000,000 | 0.029 | - | - | 2,000,000 | - |
| 18/12/2014 | 18/12/2015 | 30/09/2017 | 20c | - | 3,000,000 | 0.023 | - | - | 3,000,000 | - |

* Fair value per option at grant date, for options issued during the year. Options are valued using the Black-Scholes pricing model using the following inputs:

| | |
|---|---|
| Weighted average fair value of options granted during the year (at grant date): | 2.4 cents |
| Weighted average exercise price | 17.9 cents |
| Volume weighted average share price during the year | 9.1 cents |
| Weighted average expected share volatility | 77% |
| Weighted average risk free interest rate | 2.50% |
| Expected dividends | Nil |
| Average option life | 3.1 years |

**NOTE 26: SHARE BASED PAYMENTS (continued)**

**(a) Employee option plan (continued)**

| 2014 | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Grant date | Vesting date | Expiry date | Exercise price | Balance at beginning of year | Granted during the year | Fair value ($)* | Exercised during the year | Expired during the year | Balance at the end of the year | Exercisable at the end of the year |
| 1/10/2012 | 1/10/2013 | 30/09/2017 | 10c | 1,000,000 | - | | - | - | 1,000,000 | 1,000,000 |
| 1/10/2012 | 1/10/2013 | 30/09/2017 | 15c | 2,000,000 | - | | - | - | 2,000,000 | 2,000,000 |
| 20/12/2012 | 20/12/2013 | 30/09/2017 | 10c | 2,000,000 | - | | - | - | 2,000,000 | 2,000,000 |
| 20/12/2012 | 20/12/2013 | 30/09/2017 | 15c | 3,000,000 | - | | - | - | 3,000,000 | 3,000,000 |
| 20/12/2012 | 20/12/2012 | 30/09/2017 | 15c | 5,000,000 | - | | - | - | 5,000,000 | 5,000,000 |
| 18/12/2013 | 1/07/2014 | 30/09/2018 | 7.5c | - | 2,000,000 | 0.017 | - | - | 2,000,000 | - |
| 18/12/2013 | 1/07/2014 | 30/09/2018 | 10c | - | 3,000,000 | 0.014 | - | - | 3,000,000 | - |
| 4/02/2014 | 2/02/2015 | 2/02/2017 | 15c | - | 1,625,000 | 0.036 | - | - | 1,625,000 | - |
| 4/02/2014 | 2/02/2015 | 2/02/2017 | 20c | - | 1,125,000 | 0.028 | - | - | 1,125,000 | - |
| 4/02/2014 | 4/02/2014 | 30/09/2017 | 15c | - | 1,000,000 | 0.041 | - | - | 1,000,000 | 1,000,000 |
| 4/02/2014 | 4/02/2014 | 30/09/2017 | 20c | - | 1,000,000 | 0.034 | - | - | 1,000,000 | 1,000,000 |

**(b) Employee share scheme**

Details of shares issued to Directors and employees are outlined in the Remuneration Report within the Directors' Report. With the exception of Key Management Personnel identified in the Remuneration Report (including Directors and Senior Executives), no other employees are party to an Employee Share Scheme.

**(c) Expenses recognised from share-based payment transactions**

The expense recognised in relation to the share-based payment transactions was recorded within employee benefits expense in the statement of comprehensive income were as follows:

| | 2015 $ | 2014 $ |
|---|---|---|
| Options issued under employee option plan | 102,807 | 211,013 |

# NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2015

## NOTE 27: INTERESTS IN SUBSIDIARIES

### (a) Subsidiaries

| | Country of Incorporation | Percentage owned | |
|---|---|---|---|
| | | 2015 | 2014 |
| **Parent entity** | | | |
| Greenearth Energy Ltd (i) (ii) | Australia | | |
| **Subsidiaries of Greenearth Energy Ltd:** | | | |
| Greenearth Biomass Energy Pty Ltd (i) | Australia | 100% | 100% |
| Greenearth Energy Limited (NZ) | New Zealand | 100% | 100% |
| Greenearth Geothermal Energy Pty Ltd (i) | Australia | 100% | 100% |
| Greenearth Heat Energy Pty Ltd (i) | Australia | 100% | 100% |
| Greenearth Power Pty Ltd (i) | Australia | 100% | 100% |
| Greenearth Solar Energy Pty Ltd | Australia | 85% | 85% |
| GT LED Lighting Pty Ltd (i) | Australia | 100% | 0% (iv) |
| LED Distribution Network Pty Ltd (i) | Australia | 100% | 0% (iv) |
| NewCO2Fuels Pty Ltd (i) | Australia | 100% | 100% |
| Vivid Industrial Pty Ltd (formerly Greenearth Energy Efficiency Pty Ltd) (i) (iii) | Australia | 100% | 100% |
| **Subsidiaries of Vivid Industrial Pty Ltd:** | | | |
| GEE Advanced Technologies Pty Ltd (i) | Australia | 100% | 100% |

(i) Member of the Australian tax consolidated group

(ii) Head Entity of the Australian tax consolidated group

(iii) Renamed during the year from Greenearth Energy Efficiency Pty Ltd to Vivid Industrial Pty Ltd

(iv) Incorporated during the year ended 30 June 2015

| | Notes | 2015 $ | 2014 $ |
|---|---|---|---|
| **(b) Reconciliation of the non-controlling interest (NCI)** | | | |
| Accumulated NCI at the beginning of the year | | (40,337) | (40,337) |
| Profit or loss allocated to NCI during the year | | - | - |
| Accumulated NCI at the end of the year | | (40,337) | (40,337) |

# NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2015

| | Notes | 2015 $ | 2014 $ |
|---|---|---|---|
| **NOTE 28: RELATED PARTY DISCLOSURES** | | | |
| **(a) Transactions with key management personnel of the entity or its parent and their personally-related entities** | | | |
| *(i) Key management personnel compensation* | | | |
| Key management personnel compensation comprised the following: | | | |
| Short-term employee benefits | | 813,060 | 632,753 |
| Post-employment benefits | | 74,938 | 58,561 |
| Share-based payments* | | 125,700 | 167,100 |
| | | 1,013,698 | 858,414 |

*Share-based payments represents the non-cash notional value of equity options - refer to note 1(n).

Details of key management personnel compensation are disclosed in the Remuneration Report which forms part of the Directors' Report.

*(ii) Key management personnel equity holdings*

Details of key management personnel equity holdings are disclosed in the Remuneration Report which forms part of the Directors' Report.

*(iii) Loans to key management personnel*

There are no loans made by Greenearth Energy Ltd to key management personnel.

*(iv) Other transactions with key management personnel of the group*

An amount of $31,346 excluding GST (2014:$28,596) was paid by the group to Virtual and Illumination Engineering Services; a business associated with Mr U. du Plessis, a member of the key management personnel of the company in respect of research and development services provided by it to the group. The Directors believe these transactions to be on an arms-length basis.

**(b) Other related party transactions**

During this financial period, the company sub-leased office space for $95,240 (2014: nil) from Lakes Oil N.L., which also settled accounts with suppliers on behalf of Greenearth Energy Ltd totalling $124,583 (2014: $208,839). At balance date an amount of $62,970 (2014:$54,136) was payable to Lakes Oil N.L. by Greenearth Energy Ltd. The Directors believe these transactions to be on an arms-length basis.

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

# NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2015

| | Notes | 2015 $ | 2014 $ |
|---|---|---|---|
| **NOTE 29: PARENT ENTITY INFORMATION** | | | |
| Summarised presentation of the parent entity, Greenearth Energy Ltd, financial statements. | | | |
| **(a) Summarised statement of financial position** | | | |
| Assets | | | |
| Current assets | | 2,777,507 | 3,505,575 |
| Non-current assets | | 6,031,015 | 4,779,898 |
| Total assets | | 8,808,522 | 8,285,473 |
| Liabilities | | | |
| Current liabilities | | 1,514,647 | 827,860 |
| Non-current liabilities | | 32,567 | 22,930 |
| Total liabilities | | 1,547,214 | 850,790 |
| Net assets | | 7,261,308 | 7,434,683 |
| Equity | | | |
| Share capital | | 23,708,822 | 19,716,222 |
| Reserves | | 367,807 | 265,000 |
| Accumulated losses | | (16,815,321) | (12,546,539) |
| Total equity | | 7,261,308 | 7,434,683 |
| **(b) Summarised statement of comprehensive income** | | | |
| Loss for the year after tax | | (4,268,782) | (875,365) |
| Other comprehensive income | | - | - |
| Total comprehensive income/(loss) | | (4,268,782) | (875,365) |

## NOTE 30: SEGMENT INFORMATION

### (a) Description of segments

The group has five reportable segments. A brief description of each identified segment is detailed below. Corporate head office and administration costs are not allocated to segments. Segments include geothermal exploration areas of interest or projects that the group holds, or is interested in, 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.

*Segment 1: Industrial Energy Efficiency*

Greenearth Energy Group via its subsidiaries provides intelligent and energy efficient lighting solutions to industrial and infrastructure businesses in Australia and the Pacific Rim. The primary route to market for this segment is via Vivid Industrial, a wholly-owned subsidiary of the group.

*Segment 2: Technology Investment*

This segment includes technology 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 projects that are currently being developed or considered. This segment includes the consolidated entity's investment in NewCO2Fuels Ltd.

*Segment 3: Geothermal - Otway Basin*

The Otway Basin extends along the Southern Margin across Victoria and South Australia. The Basin covers an area of approximately 150,000km$^2$ of which 35% is onshore. Greenearth Energy's GEP10 is contained within the Otway Basin.

*Segment 4: Geothermal - Gippsland Basin*

The Gippsland Basin covers approximately 56,000 km$^2$ of South Eastern Victoria, of which approximately 16,000km$^2$ lies onshore. Greenearth Energy's GEP 12 and 13 permits are located within the Basin.

*Segment 5: 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.

# NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2015

**NOTE 30: SEGMENT INFORMATION (continued)**

**(b) Segment information**

| 2015 | Industrial Energy Efficiency $ | Technology Investment $ | Geothermal - Otway Basin $ | Geothermal - Gippsland Basin $ | Geothermal - Indonesia $ | Total $ |
|---|---|---|---|---|---|---|
| **Segment revenue** | | | | | | |
| Total segment revenue | 1,038,159 | - | 27,132 | 87,009 | - | 1,152,300 |
| Inter-segment revenue | - | - | - | - | - | - |
| **Segment revenue from external source** | **1,038,159** | **-** | **27,132** | **87,009** | **-** | **1,152,300** |
| **Segment result** | | | | | | |
| Total segment result | (1,922,805) | (1,041,622) | (592,202) | (1,445,945) | (30,532) | (5,033,106) |
| Inter-segment eliminations | - | - | - | - | - | - |
| **Segment result from external source** | **(1,922,805)** | **(1,041,622)** | **(592,202)** | **(1,445,945)** | **(30,532)** | **(5,033,106)** |
| **Items included within segment result:** | | | | | | |
| Share of net profit/(loss) of associates | - | (773,534) | - | - | (30,532) | (804,066) |
| **Total segment assets** | **716,726** | **1,289,082** | **-** | **-** | **69,019** | **2,074,827** |
| **Total segment assets include:** | | | | | | |
| Investment in equity accounted associates | - | 638,040 | - | - | 60,786 | 698,826 |
| Additions to non-current assets other than financial instruments and deferred tax assets | 120,382 | - | - | - | - | 120,382 |
| **Total segment liabilities** | **468,293** | **-** | **-** | **15,000** | **-** | **483,293** |

# NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2015

## NOTE 30: SEGMENT INFORMATION (continued)

### (b) Segment information (continued)

| 2014 | Industrial Energy Efficiency $ | Technology Investment $ | Geothermal - Otway Basin $ | Geothermal - Gippsland Basin $ | Geothermal - Indonesia $ | Total $ |
|---|---|---|---|---|---|---|
| **Segment revenue** | | | | | | |
| Total segment revenue | 713,330 | 2,161,151 | 168,781 | - | - | 3,043,262 |
| Inter-segment revenue | - | - | - | - | - | - |
| **Segment revenue from external source** | **713,330** | **2,161,151** | **168,781** | **-** | **-** | **3,043,262** |
| **Segment result** | | | | | | |
| Total segment result | (806,616) | 1,646,374 | 168,781 | - | (29,052) | 979,487 |
| Inter-segment eliminations | - | - | - | - | - | - |
| **Segment result from external source** | **(806,616)** | **1,646,374** | **168,781** | **-** | **(29,052)** | **979,487** |
| **Items included within segment result:** | | | | | | |
| Share of net profit/(loss) of associates | - | (390,798) | - | - | (29,052) | (419,850) |
| **Total segment assets** | **552,670** | **1,157,412** | **617,651** | **1,529,132** | **41,398** | **3,898,263** |
| **Total segment assets include:** | | | | | | |
| Investment in equity accounted associates | - | 1,157,412 | - | 33,165 | - | 1,190,577 |
| Additions to non-current assets other than financial instruments and deferred tax assets | - | - | 28,880 | - | - | 28,880 |
| **Total segment liabilities** | **306,331** | **530,786** | **-** | **15,000** | **-** | **852,117** |

# NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2015

| | Notes | 2015 $ | 2014 $ |
|---|---|---|---|
| **NOTE 30: SEGMENT INFORMATION (CONTINUED)** | | | |
| **(b) Segment information (continued)** | | | |
| *(i) Reconciliation of segment revenue to the consolidated statement of comprehensive income* | | | |
| Segment revenue from external source | | 1,152,300 | 3,043,262 |
| Other revenue | | 12,004 | 65,053 |
| Interest revenue | | 9,712 | 11,123 |
| Net foreign exchange gain | | - | 16,308 |
| Unrealised gain on fair value of investments | | - | 7,066 |
| Total revenue | | 1,174,016 | 3,142,812 |
| *(ii) Reconciliation of segment result to the consolidated statement of comprehensive income* | | | |
| Segment result from external source | | (5,033,106) | 979,487 |
| Interest revenue | | 9,712 | 11,123 |
| Net foreign exchange gain/(loss) | | (17,220) | 16,308 |
| Unrealised gain/(loss) on fair value of investments | | (8,636) | 7,066 |
| Depreciation and amortisation | | (16,065) | (13,621) |
| Unallocated other income | | 12,004 | 65,053 |
| Unallocated expenses | | (932,701) | (1,291,528) |
| Total loss from continuing operations before income tax | | (5,986,012) | (226,112) |
| *(iii) Reconciliation of segment assets to the consolidated statement of financial position* | | | |
| Segment assets | | 2,074,827 | 3,898,263 |
| Cash and cash equivalents | | 2,572,164 | 3,187,415 |
| Unallocated assets | | 447,992 | 397,619 |
| Total assets | | 5,094,983 | 7,483,297 |
| *(iv) Reconciliation of segment liabilities to the consolidated statement of financial position* | | | |
| Segment liabilities | | 483,293 | 852,117 |
| Unallocated liabilities | | 531,200 | 660,085 |
| Total liabilities | | 1,014,493 | 1,512,202 |

# NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2015

| | Notes | 2015 $ | 2014 $ |
|---|---|---|---|
| **NOTE 31: AUDITOR'S REMUNERATION** | | | |
| **(a) Amounts paid and payable to Pitcher Partners (Melbourne) for:** | | | |
| *(i) Audit and other assurance services* | | | |
| An audit or review of the financial report of the entity and any other entity in the consolidated entity | | 67,500 | 70,875 |
| Total remuneration for audit and other assurance services | | | |
| *(ii) Other non-audit services* | | | |
| Taxation services | | 26,000 | 71,002 |
| Total remuneration for non-audit services | | | |
| Total auditors' remuneration | | 93,500 | 141,877 |

## NOTE 32: SUBSEQUENT EVENTS

Subsequent to the end of the period, the company issued a total of 4,400,000 unlisted incentive options in August 2015 persuant to the company's Employee Option Plan, as follows:

| No. of options | Exercise price | Issue date | Expiry date |
|---|---|---|---|
| 4,350,000 | 12.5 cents | 10 August 2015 | 7 August 2018 |
| 50,000 | 12.5 cents | 11 August 2015 | 7 August 2018 |
| 4,400,000 | | | |

# DIRECTORS' DECLARATION

The directors declare that the financial statements and notes set out on pages 20 to 57 in accordance with the *Corporations Act 2001*:

(a) Comply with Accounting Standards and the Corporations Regulations 2001, and other mandatory professional reporting requirements;

(b) As stated in Note 1(a) the consolidated financial statements also comply with International Financial Reporting Standards; and

(c) Give a true and fair view of the financial position of the consolidated entity as at 30 June 2015 and of its performance for the 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 has been made after receiving the declarations required to be made by the chief executive officer and chief financial officer to the directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ending 30 June 2015.

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

SAMUEL R MARKS

Managing Director

Greenearth Energy Ltd

Dated this 29th day of September 2015

Melbourne

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

PITCHER PARTNERS

## REPORT ON THE FINANCIAL REPORT

We have audited the accompanying financial report of Greenearth Energy Ltd and controlled entities, which comprises the consolidated statement of financial position as at 30 June 2015, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

### Directors' Responsibility for the Financial Report

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

### Auditor's Responsibility

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

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

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

### Independence

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

### Opinion

In our opinion:

(a) the financial report of Greenearth Energy Ltd and controlled entities is in accordance with the *Corporations Act 2001,* including:

  (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the year ended on that date; and

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

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

### Emphasis of Matter in relation to Going Concern

Without modifying our opinion 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 year of $5,986,012 (2014: $226,112) and at the reporting date total assets exceeded total liabilities by $4,080,490 (30 June 2014: $5,971,095), including exploration and evaluation assets of $0 (30 June 2014: $2,146,783).

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

PITCHER PARTNERS

The Directors have determined that there may be a net cash requirement of $3m over the forthcoming 12 months to maintain operations, after allowing for existing cash reserves and contracted upcoming cash receipts. The Directors anticipate that this potential net cash requirement of $3m is to be funded by a combination of the net operating cash flow of Vivid Industrial (a company within the consolidated group), raising additional capital, and other funding avenues such as continued development of other industrial technologies and expanding revenue streams.

The anticipated revenue growth (and consequent cash flow contribution) of Vivid Industrial 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.

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.

These conditions, as set forth in Note 1 (b), indicate the existence of a material uncertainty that may cast significant doubt about the company's ability to continue as a going concern and therefore, the company may be unable to realise its assets and discharge its liabilities in the normal course of business.

## REPORT ON THE REMUNERATION REPORT

We have audited the Remuneration Report included in pages 11 to 18 of the directors' report for the year ended 30 June 2015. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001.* Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

**Opinion**

In our opinion, the Remuneration Report of Greenearth Energy Ltd and controlled entities for the year ended 30 June 2015 complies with section 300A of the *Corporations Act 2001.*

M Harrison

M J HARRISON
Partner
29 September 2015

Pitcher Partners

PITCHER PARTNERS
Melbourne

# ASX SUPPLEMENTARY INFORMATION COMPILED AS AT 5 OCTOBER 2015

The following information is provided pursuant to Australian Stock Exchange Limited ("ASX") Listing Rule 4.10.

## SUBSTANTIAL SHAREHOLDERS

As disclosed in notices given to the Company.

| Name of Substantial Shareholder | Interest in Number of Shares Beneficial and Non-beneficial | Percentage of Shares (%) |
|---|---|---|
| ADVANCE PUBLICITY PTY LTD <THE IZMAR FAMILY A/C> | 17,258,978 | 6.99 |
| HUB & SPOKES PTY LTD <HUB & SPOKES A/C> | 16,666,667 | 6.75 |
| ERDI FUELS PTY LTD | 16,500,000 | 6.68 |
| LAKES OIL NL | 13,791,667 | 5.58 |

## DISTRIBUTION OF EQUITY SECURITIES

The issued capital of the company comprised:

(a) 246,975,003 fully paid ordinary shares

(b) 32,150,000 unlisted options over ordinary shares , with various terms and conditions including the following specifications:

| Number of options | Exercise price | Expiry date | Number of option holders |
|---|---|---|---|
| 2,000,000 | 7.5 cents | 30 September 2018 | 1 |
| 3,000,000 | 10 cents | 30 September 2017 | 2 |
| 3,000,000 | 10 cents | 30 September 2018 | 1 |
| 4,400,000 | 12.5 cents | 7 August 2018 | 10 |
| 1,125,000 | 15 cents | 2 February 2017 | 3 |
| 13,000,000 | 15 cents | 30 September 2017 | 5 |
| 500,000 | 15 cents | 30 June 2019 | 1 |
| 625,000 | 20 cents | 2 February 2017 | 2 |
| 4,000,000 | 20 cents | 30 September 2017 | 2 |
| 500,000 | 20 cents | 30 June 2019 | 1 |
| **32,150,000** | | | |

## VOTING RIGHTS

Subject to the rights or restrictions attached to any shares, on a show of hands every Member present at a general meeting in person or by proxy or attorney or by his or her duly appointed representative shall have one vote.

## QUOTATION OF SECURITIES

The company's fully paid ordinary shares are included on the Official List of the Australian Stock Exchange Limited (code: GER).

## TAX STATUS

The company is taxed as a public company.

# ASX SUPPLEMENTARY INFORMATION COMPILED AS AT 5 OCTOBER 2015

## TWENTY LARGEST SHAREHOLDERS

| Rank | Shareholder | Shares held | Percentage of capital (%) |
|---|---|---|---|
| 1. | ADVANCE PUBLICITY PTY LTD <THE IZMAR FAMILY A/C> | 17,258,978 | 6.99 |
| 2. | HUB & SPOKES PTY LTD <HUB & SPOKES A/C> | 16,666,667 | 6.75 |
| 3. | ERDI FUELS PTY LTD | 16,500,000 | 6.68 |
| 4. | LAKES OIL NL | 13,791,667 | 5.58 |
| 5. | GIWAH PTY LTD <D BAER SUPER FUND A/C> | 6,862,724 | 2.78 |
| 6. | GARY ZAMEL & ASSOCIATES PTY LTD <GARY ZAMEL & ASSOC SUPER A/C> | 6,792,406 | 2.75 |
| 7. | GREENBUSH VENTURES LIMITED | 6,533,333 | 2.65 |
| 8. | MR ROBERT JOHN ANNELLS + MRS KIMBERLEY JANE HODGE <RJ ANNELLS SUPER FUND A/C> | 6,312,883 | 2.56 |
| 9. | NATIONAL NOMINEES LIMITED | 6,258,131 | 2.53 |
| 10. | UBS NOMINEES PTY LTD | 5,768,411 | 2.34 |
| 11. | MANISA NOMINEES PTY LTD <THE LASKY SUPER FUND A/C> | 3,820,967 | 1.55 |
| 12. | GERALD PEARCE + LILLIAN PEARCE <LILLIAN CHIZIK S/FUND A/C> | 3,533,333 | 1.43 |
| 13. | MAX MOBILE AUTO CLINIC PTY LTD | 3,000,001 | 1.21 |
| 14. | DECANTE PTY LTD <J M EHRLICH SUPER FUND A/C> | 3,000,000 | 1.21 |
| 15. | MR DOUGLAS EDWARD WEBB | 3,000,000 | 1.21 |
| 16. | L J & K THOMSON PTY LTD <L J T & K T SUPER FUND A/C> | 2,914,046 | 1.18 |
| 17. | NAZE NOMINEES PTY LTD <G KLEMPFNER SUPER A/C> | 2,914,046 | 1.18 |
| 18. | PAUL JACOBSON | 2,666,667 | 1.08 |
| 19. | MR JOHN TRIFON KOPCHEFF | 2,524,810 | 1.02 |
| 20. | LJ THOMSON PTY LTD | 2,200,000 | 0.89 |
| | | **132,319,070** | **53.58** |

# ASX SUPPLEMENTARY INFORMATION COMPILED AS AT 5 OCTOBER 2015

## DISTRIBUTION OF ORDINARY SHARES

Number of shareholders by size of holding and total number of shares on issue:

| Category of shareholders | Number of shareholders | Number of shares held | Percentage of total (%) |
|---|---|---|---|
| 1 - 1,000 | 55 | 7,992 | 0.00 |
| 1,001 - 5,000 | 89 | 339,735 | 0.14 |
| 5,001 - 10,000 | 357 | 2,993,347 | 1.21 |
| 10,001 - 100,000 | 604 | 23,457,412 | 9.50 |
| 100,001 - and over | 231 | 220,176,517 | 89.15 |
| **Total on issue** | **1,336** | **246,975,003** | **100.00** |

The number of shareholders that held less than a “marketable parcel” of shares (being 5,682 shares) was 155. These shareholders held a total of 407,768 fully paid ordinary shares in the company as at that date, representing approximately, 0.17% of the total issued share capital of the company as at that date.

## PERMIT INFORMATION

The permits in which Greenearth Energy Ltd. had an interest are as follows:

| Permit Name | Location (Basin Name) | Registered Holder | Group Interest | |
|---|---|---|---|---|
| | | | 2015 | 2014 |
| GEP 10 | Otway | Greenearth Energy Ltd | 100% | 100% |
| GEP 12 | Gippsland | Greenearth Energy Ltd | 100% | 100% |
| GEP 13 | Gippsland | Greenearth Energy Ltd | 100% | 100% |

# CORPORATE GOVERNANCE

ASX Listing Rule 4.10.3 requires Greenearth Energy Ltd. to disclose the extent to which it has followed the recommendations of the ASX Corporate Governance Council ('Council') during the financial year. There are 8 principles reported on below. Each principle includes one or more recommendations as well as a guide to reporting.

Greenearth Energy Ltd. corporate governance principles and policies are structured with reference to the Corporate Governance Council's best practice recommendations as outlined in the ASX Corporate Governance Principles and Recommendations (third edition), issued in 2014.

## PRINCIPLE 1 LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

*Recommendation 1.1: A listed entity should disclose:*

*(a) the respective roles and responsibilities of its board and management; and*

*(b) those matters expressly reserved to the board and those delegated to management.*

The Greenearth Energy Ltd. board retains responsibility for the following items:

- Setting and monitoring objectives, goals and strategic direction for management with a view to maximising shareholder wealth
- Approving an annual budget and the monitoring of financial performance
- Ensuring adequate internal controls exist and are appropriately monitored for compliance
- Ensuring significant business risks are identified and appropriately managed
- Approving acquisitions
- Ensuring compliance with statutory requirements
- Selecting and appointing new Directors
- Maintaining the highest business standards and ethical behaviour.

The board has delegated authority within the following areas to the Executive team:

- Monitoring performance of the business
- Ensuring that the business processes in relation to risk management and assurance are met
- Approving capital expenditure (except acquisitions) within delegated authority levels.

*Recommendation 1.2: A listed entity should:*

*(a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and*

*(b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.*

New Directors are recruited according to the company's needs from time to time. The company has no formal policy in regard to nomination of new Directors.

Re-election of Directors is managed in accordance with the Listing Rules and the company's Constitution. Upon election or re-election of directors, relevant information is provided to security holders in order to inform their decision.

*Recommendation 1.3: A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.*

Written agreements are now entered into with all new directors, setting out roles and responsibilities along with other relevant matters. Not all current directors have written agreements in place.

Written agreements are now entered into with all new executives. Not all arrangements with current executives are formalised with written service agreements, and the company is working towards improving this in the current financial year.

*Recommendation 1.4: The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.*

The company secretary has a direct reporting line to the board, through the chair, on all matters to do with the proper functioning of the board.

*Recommendation 1.5: A listed entity should:*

*(a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them;*

*(b) disclose that policy or a summary of it;*

*(c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them, and either:*

*(1) respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or*

*(2) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.*

The Board continues to review for best practice and has not yet formalised a Diversity Policy, however the Company strives to provide the best possible opportunities for current and prospective employees of all backgrounds.

The Board, upon formalising a Diversity Policy, will ensure that measurable objectives are identified for disclosure from then onwards.

At 30 June 2015 there were no women on the Board or in senior executive positions, and women represented approximately 17% of employees across the whole organisation. For this purpose, "senior executive position" is considered to be equivalent to the definition of "Key Management Personnel" for the purposes of the company's annual remuneration report within its financial report.

# CORPORATE GOVERNANCE

*Recommendation 1.6: A listed entity should:*

*(a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and*

*(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.*

The Board of Greenearth Energy Ltd currently does not have a process for evaluating the performance of the board, its committees and individual directors.

*Recommendation 1.7: A listed entity should:*

*(c) have and disclose a process for periodically evaluating the performance of its senior executives; and*

*(d) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.*

Executives, who have distinct responsibilities have within their employment contract, provision for the establishment of Key Performance Indicators (KPIs). Evaluation occurs against these KPIs and is performed annually.

Performance reviews for senior executives usually take place each year as appropriate, incorporating evaluation against the KPIs stipulated in each employment contract or service agreement. This recommendation was not complied with during the reporting period, as not all executives received performance evaluations during the period.

## PRINCIPLE 2 STRUCTURE THE BOARD TO ADD VALUE

*Recommendation 2.1 The board of a listed entity should:*

*(a) have a nomination committee which:*

*(1) has at least three members, a majority of whom are independent directors; and*

*(2) is chaired by an independent director,*

*and disclose:*

*(3) the charter of the committee;*

*(4) the members of the committee; and*

*(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or*

*(b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.*

Due to the limited size of the board, Greenearth Energy has not complied with this recommendation. This role is retained by the full board. New Directors are recruited according to the company's needs from time to time. The company has no formal policy in regard to nomination of new Directors.

Re-election of Directors is managed in accordance with the Listing Rules and the company's Constitution.

*Recommendation 2.2 A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.*

The skills, experience and expertise relevant to the position each director held is detailed in the Directors Report within the Annual Report.

*Recommendation 2.3 A listed entity should disclose:*

*(a) the names of the directors considered by the board to be independent directors;*

*(b) if a director has an interest, position, association or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and*

*(c) the length of service of each director.*

During the financial year the Board of Greenearth Energy Ltd. comprised four directors including one executive director. The date of appointment of each director is detailed in the Directors Report within the Annual Report. The only director considered to be independent during the financial year, was Mr John Kopcheff.

*Recommendation 2.4 A majority of the board of a listed entity should be independent directors.*

The only director considered to be independent during the financial year, was Mr John Kopcheff. Given the majority of the board are not considered independent under the definitions provided in the Council's recommendations, this recommendation has not been satisfied.

The Board believes even though it does not satisfy this recommendation, it does possess the appropriate level of industry experience and business skills. Directors acknowledge the need to act in good faith and in the interests of all shareholders.

*Recommendation 2.5 The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.*

Mr Robert Annells is the chair of the board and is not considered to be an independent director therefore this recommendation has not been satisfied. Mr Samuel Marks carried out the role of Managing Director or Chief Executive Officer (CEO) during the financial year, therefore the chair of the board is not the same person as the CEO.

*Recommendation 2.6 A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.*

The entity does not currently have in place a formal program of regular review of board skills and professional development requirements. Briefings are provided from time to time on ongoing developments in matters relevant to the role of the board.

# CORPORATE GOVERNANCE

**PRINCIPLE 3 ACT ETHICALLY AND RESPONSIBLY**

*Recommendation 3.1 A listed entity should:*

*(a) have a code of conduct for its directors, senior executives and employees; and*

*(b) disclose that code or a summary of it.*

Directors, management and staff are expected to act ethically and responsibly and in accordance with the company's Code of Conduct. All Board members are qualified professionals within their respective industries and accordingly conduct themselves in a professional and ethical manner in both their normal commercial activities and the discharge of their responsibilities as directors.

Whenever necessary, individual members of the Board may seek independent professional advice at the expense of the Company in relation to fulfilling their duties as directors.

Additionally, terms and conditions of employment provide detailed instructions as to the acceptable standards of behaviour.

A copy of the code of conduct policy can be viewed at the companies' website.

**PRINCIPLE 4 SAFEGUARD INTEGRITY IN CORPORATE REPORTING**

*Recommendation 4.1 The board of a listed entity should:*

*(a) have an audit committee which:*

*(1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and*

*(2) is chaired by an independent director, who is not the chair of the board,*

*and disclose:*

*(3) the charter of the committee;*

*(4) the relevant qualifications and experience of the members of the committee; and*

*(5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or*

*(b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.*

The Audit Committee was established in September 2007. The company listed in February 2008. The primary objective of the Audit Committee is to assist the Board in fulfilling the Board's responsibilities relating to accounting and reporting practices of the Company and its controlled entities.

The main functions of the Audit Committee are:

- To act as a committee of the Board of Directors in discharging the Board's responsibilities as they relate to financial reporting policies and practices, accounting policies and management and internal controls
- To provide through meetings a forum for communication between the Board, senior financial management and external auditors

The responsibilities of the Audit Committee include monitoring compliance with requirements of the *Corporations Act 2001*, Stock Exchange Listing Rules, Australian Securities Commission, taxation legislation and other laws as they apply to the subject matter of the Audit Committee's functions.

The Audit Committee during the financial year comprised Mr John Kopcheff (Chairman) and Mr Robert Annells. Mr Kopcheff is considered to be independent under the Council's definition. The Audit Committee does not have a majority of independent directors, as the Company has only one independent director. Given that the Audit Committee comprises only two members, and they are not both considered to be independent, this recommendation has not been satisfied.

The Company secretary acts as the Committee secretary assisting members. The Company's external auditors are invited to attend the Committee's meetings. In addition, the Committee is able to seek and obtain input from external consultants as required.

The Audit Committee Charter was adopted in September 2007. A copy of the Charter is publicly available on request.

The number of meetings held by the Audit Committee is disclosed in the Directors' Report within the Annual Report, along with the relevant qualifications of each member of the Committee.

*Recommendation 4.2 The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.*

This recommendation was compiled with for this financial year.

*Recommendation 4.3 A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.*

The auditor attends the company's AGM each year and is available to answer questions from security holders relevant to the preparation and content of the auditor's report, the conduct of the audit, or the accounting policies adopted by the company.

# CORPORATE GOVERNANCE

## PRINCIPLE 5 MAKE TIMELY AND BALANCED DISCLOSURE

*Recommendation 5.1 A listed entity should:*

*(a) a written policy for complying with its continuous disclosure obligations under the Listing Rules; and*

*(b) disclose that policy or a summary of it.*

The Board adopted a Disclosure policy in September 2007. Greenearth Energy Ltd., recognises that it has a legal and moral obligation to immediately disclose to the market any information that a reasonable person would expect to have a material effect on the price or value of the Company's securities.

The directors and senior management personnel of Greenearth Energy acknowledge that they each have an obligation to identify and immediately disclose information that may be regarded as material to the price or value of the Company's securities.

The Chairman and Chief Executive Officer are authorised to make statements and representations on Greenearth Energy Ltd's behalf. The Company Secretary is responsible for overseeing and coordinating the disclosure of information to the ASX, analysts, stockbrokers, shareholders, the media and the public.

The Directors and senior management personnel must ensure that the Company Secretary is aware of all information to be presented at briefings with analysts, stockbrokers, the media and the public.

Prior to being presented, information that has not already been the subject of disclosure to the market and is not generally available to the market, must be the subject of disclosure to the ASX. Only when confirmation of receipt of the disclosure and release to the market by the ASX is received may the information be presented. Such subject material will also be placed on the company's website.

If information that would otherwise be disclosed comprises matters of supposition or is insufficiently definite to warrant disclosure, or if the effect of a disclosure on the value or price of the Company's securities is unknown, Greenearth Energy Ltd may request that the ASX grant a trading halt or suspend its securities from quotation. Management of Greenearth Energy Ltd may consult the Company's external professional advisers and the ASX in relation to whether a trading halt or suspension is required.

## PRINCIPLE 6 RESPECT THE RIGHTS OF SECURITY HOLDERS

*Recommendation 6.1 A listed entity should provide information about itself and its governance to investors via its website.*

The Company's internet website (www.greenearthenergy.com.au) is regularly updated and provides details of information on directors and senior executives, corporate governance information, annual reports, announcements by the Company to the ASX, and general information on the company and its business.

*Recommendation 6.2 A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.*

Planned communications to shareholders are:

- The annual report is printed and distributed to shareholders free of charge to all shareholders. An electronic company is also placed on the company's website. The board ensures that the annual report includes relevant information about the operation of the company during the year, changes in the state of affairs of the Company and details of future development, in addition to the other disclosures required by the Corporations Act
- The half-year report contains summarised financial information and a review of operations of the Company during the period. The half-year financial report is prepared in accordance with the requirements of Accounting standards and the Corporations Act and is lodged with the ASX

Investors and other stakeholders are also able to contact the company to express their views on matters of concern or interest to them.

*Recommendation 6.3 A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.*

The Board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and identification with the Company's strategy and goals. The company invites its external auditors to attend the meeting for the purpose of answering shareholders' questions.

*Recommendation 6.4 A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.*

The annual report is printed and distributed to shareholders free of charge to all shareholders An electronic company is also placed on the company's website. The company's arrangements with its share registry include the option to receive some communications electronically.

Shareholders and other interested parties are also encouraged to subscribe to the company's email update service, to receive company announcements and updates electronically.

Communications are formatted to be easily readable on a computer screen or other electronic device, or printed and retained if the reader so chooses.

# CORPORATE GOVERNANCE

**PRINCIPLE 7 RECOGNISE AND MANAGE RISK**

*Recommendation 7.1 The board of a listed entity should:*

*(a) have a committee or committees to oversee risk, each of which:*

*(1) has at least three members, a majority of whom are independent directors; and*

*(2) is chaired by an independent director,*

*and disclose:*

*(3) the charter of the committee;*

*(4) the members of the committee; and*

*(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or*

*(b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.*

The Board has responsibility for managing risk and internal control and acknowledges that risk management is a core principle of sound Corporate Governance. The financial viability, reputation and future of the company are materially dependent on the manner in which risk is managed.

The Board's strategy covers the areas of Financial Risk, Operational Risk, Insurance and Internal Control. The company has not appointed a Risk Management Committee due to the importance the Board places on risk mitigation. In addition, the small size of the Board makes it appropriate for the full board to manage this area.

## Financial risk

The Board receives regular financial reports which measure performance and trends against budget. The reports are discussed at Board Meetings and the Chief Financial Officer answers questions posed by the Directors. Any variations from budget are highlighted, explained and evaluated. This scrutiny is appropriate to a company of the size of Greenearth Energy Ltd. In addition to monthly financial reporting, the company has in place procedures to manage credit, foreign exchange and other business risks.

## Operational reporting

Projects are approved only after extensive review by a highly qualified technical staff and consultants and by submissions to the Board through the Managing Director. The operations of the company includes a search for geothermal resources and other clean technology opportunities, and projects are only considered after a review and evaluation of all technical data on record. Outside consultants are engaged as required to enhance the chances of success. Environmental considerations are factors in the consideration of every new project and are fully evaluated and reported before approval by the Board.

## Insurance

The Board recognises the value of insurance as a risk mitigation strategy and works with a leading insurance broker to ensure that appropriate insurance cover is in place at all times. Contracts with contractors are drawn up or reviewed by solicitors prior to the company entering into any commitment.

## Internal control

In a small company, an extensive internal control system is not possible; however there is a natural control as a consequence of being small. The Board works very closely with the staff and, because the transactional volume is small, the Directors have a detailed knowledge of the working of the company. The Directors believe the system of internal control is appropriate to the size of the company and to its level of potential risk.

*Recommendation 7.2 The board or a committee of the board should:*

*(a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and*

*(b) disclose, in relation to each reporting period, whether such a review has taken place.*

The Board works very closely with the staff and, because the company and its transactional volume is small, the Directors have a detailed knowledge of the workings of the company. It is through the informal and formal (via scheduled board meetings) communications of all areas of the business, that the board is reported to the risks of the business and how effectively they are being managed. The company is in the process of formalising and enhancing its risk management framework. The board did not review the framework during the reporting period, but expects to do so annually commencing from the following reporting period.

*Recommendation 7.3 A listed entity should disclose:*

*(a) if it has an internal audit function, how the function is structured and what role it performs; or*

*(b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.*

Greenearth Energy Ltd does not currently have an internal audit function. Due to the size of the company and employee base, it is considered appropriate to address evaluation and improvement of the effectiveness of the company's risk management and internal control processes without a separate internal audit function.

*Recommendation 7.4 A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.*

The company holds interests in geothermal exploration permits and licenses in Victoria. All of these permits and licenses impose regulations regarding environmental issues. Similarly, a number of our renewable technology projects are subject to planning regulations and approvals which incorporate appropriate environmental regulations. Economic, environmental and social sustainability risks are identified and managed as part of the company's overall risk management process, as overseen by the board.

**PRINCIPLE 8 REMUNERATE FAIRLY AND RESPONSIBLY**

*Recommendation 8.1 The board of a listed entity should:*

*(a) have a remuneration committee which:*

*(1) has at least three members, a majority of whom are independent directors; and*

*(2) is chaired by an independent director,*

*and disclose:*

*(3) the charter of the committee;*

*(4) the members of the committee; and*

*(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or*

*(b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.*

The Remuneration Committee was established in October 2014. The primary objective of the Remuneration Committee is to assist the Board in fulfilling the Board's responsibilities relating to the compensation, bonuses, incentives and remuneration issues of the directors, chief executive officer, and company officers. The board remuneration committee is not a policy making body but assists the board by implementing board policy. Prior to the establishment of the Remuneration Committee, the role of the Committee was performed by the full board.

The main functions of the Remuneration Committee are:

- To act as a committee of the Board of Directors in discharging the Board's responsibilities as they relate to remuneration issues of the directors, chief executive officer, and company officers
- To ensure that the company's remuneration and incentive policies, practices and performance indicators are aligned to the board's vision, values and overall business objectives and are appropriately designed to:

  > motivate the company's staff and the chief executive officer to pursue the long term growth and success of the company and

  > demonstrate a clear relationship between the achievement of the company objectives and the chief executive officer's and the staff performance and remuneration.

The Remuneration Committee since its formation during the financial year comprised Mr John Kopcheff (Chairman) and Mr Philip Zajac. Mr Kopcheff is considered to be independent under the Council's definition. The Remuneration Committee does not have a majority of independent directors, as the Company has only one independent director. Given that the Remuneration Committee comprises only two members, and they are not both considered to be independent, and that the Committee was formed during the financial year, this recommendation has not been satisfied.

The Company secretary acts as the Committee secretary assisting members. The Committee is able to seek and obtain input from external consultants as required.

The Remuneration Committee Charter is publicly available on request.

The number of meetings held by the Remuneration Committee is disclosed in the Directors' Report within the Annual Report, along with the relevant qualifications of each member of the Committee.

*Recommendation 8.2 A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.*

Non-executive directors are remunerated for their services from the maximum aggregated amount approved by shareholders for that purpose. Their compensation is reviewed by the Remuneration Committee. There are no termination benefits for non-executive directors appointed since listing.

Contracts with executives detail their remuneration arrangements. They may be entitled to termination benefits as stipulated in their employment contracts and in accordance with relevant state laws governing long service leave and superannuation. Generally, executives have an element of their remuneration at risk. The key performance Indicators (KPIs) which will entitle them to access the at risk portion of their remuneration are set at commencement of employment and reviewed through the annual business planning and review process.

Further information about the company's remuneration policies can be found in the Remuneration Report which forms part of the annual report.

*Recommendation 8.3 A listed entity which has an equity-based remuneration scheme should:*

*(a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and*

*(b) disclose that policy or a summary of it.*

The company operates an equity-based remuneration scheme and does not have a policy on transactions which limit the economic risk of participation in the scheme. The company does not encourage such transactions. As it did not have a formal policy, the company did not follow this recommendation during the reporting period. For scheme participants who are key management personnel, hedging of any unvested portions of at-risk remuneration is prohibited by law.

# NOTES

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