



ASX ANNOUNCEMENT, 25 February 2016

APPENDIX 4D AND HALF YEAR FINANCIAL REPORT

Greenearth Energy Limited ("GER")("Greenearth") attaches the following reports for the six months ended 31 December 2015:

- Appendix 4D – Half Year Report
- Financial report for the half-year ended 31 December 2015

Greenearth anticipates providing an update to the market in the near future in relation to progress with current matters such as:

1. Conversion of Vivid Industrial's sales pipeline;
2. The proposed acquisition of Ilum-a-Lite Pty Ltd by Vivid Industrial; and
3. Improved NewCO2Fuels investment structure.

Samuel Marks

Managing Director
Greenearth Energy Limited

Please direct all enquiries to Samuel Marks, Managing Director, telephone 03 9620 7299.

About Greenearth Energy Limited

Greenearth Energy Limited is a diversified Australian-based renewable energy company with interests in technology-focussed solutions in the industrial energy efficiency and CO₂-to-fuel conversion markets.

Greenearth Energy Ltd - <http://www.greenearthenergy.com.au>

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

**HALF-YEAR INFORMATION
FOR THE SIX MONTHS ENDED 31 DECEMBER 2015
PROVIDED TO THE ASX UNDER LISTING RULE 4.2A.3**

**This half-year financial report is to be read in conjunction with the financial
report for the year ended 30 June 2015.**

Appendix 4D

Half Year Report for the six months to 31 December 2015

Name of entity: GREENEARTH ENERGY LTD

ABN or equivalent company reference: 120 710 625

1. Reporting period

Report for the half year ended: 31 December 2015

Previous corresponding periods: Financial year ended 30 June 2015
Half- year ended 31 December 2014

2. Results for announcement to the market

Revenues from ordinary activities (<i>item 2.1</i>)	up	72.1%	to	\$1,022,645
Loss from ordinary activities after tax attributable to members (<i>item 2.2</i>)	down	48.5%	to	\$2,030,887
Net loss for the period attributable to members (<i>item 2.3</i>)	down	48.5%	to	\$2,030,887
Dividends (<i>item 2.4</i>)	Amount per security		Franked amount per security	
Interim dividend	nil¢		nil¢	
Final dividend	nil¢		nil¢	
Previous corresponding period	nil¢		nil¢	
Record date for determining entitlements to the dividend (<i>item 2.5</i>)	Not applicable.			
Brief explanation of any of the figures reported above necessary to enable the figures to be understood (<i>item 2.6</i>):				
The group's Net Loss After Tax reduced by 48% compared to the previous corresponding period, from \$3,942,300 to \$2,030,887.				
Revenue and other income increased by 72%, including a research and development incentive rebate of \$575,209.				
The primary reason for the previous corresponding period loss was a provision for impairment in relation to the company's geothermal exploration and evaluation assets. In December 2014, these assets were reduced to \$nil in order to provide for the impairment of the company's Otway and Gippsland areas of interest. This resulted in a non-cash impairment expense of \$2,152,288 during the half year ended 31 December 2014 (\$nil in the current period). The company had assessed that, on balance, the current regulatory and political environment was unlikely to enable progression of its Victorian geothermal interests in the near future.				
Refer to the attached interim financial report for further information on the above figures.				

3. Net tangible assets per security (item 3)

	Current period	Previous corresponding period
Net tangible asset backing per ordinary security	1.8 cents	1.7 cents

4. Details of entities over which control has been gained or lost during the period: (item 4)

Control gained over entities

Name of entities (item 4.1)	Not applicable	
Date(s) of gain of control (item 4.2)		
Contribution to consolidated profit (loss) from ordinary activities after tax by the controlled entities since the date(s) in the current period on which control was acquired (item 4.3)	\$	
Profit (loss) from ordinary activities after tax of the controlled entities for the whole of the previous corresponding period (item 4.3)	\$	

Loss of control of entities

Name of entities (item 4.1)	Not applicable	
Date(s) of loss of control (item 4.2)		
Contribution to consolidated profit (loss) from ordinary activities after tax by the controlled entities to the date(s) in the current period when control was lost (item 4.3).	\$	
Profit (loss) from ordinary activities after tax of the controlled entities for the whole of the previous corresponding period (item 4.3)	\$	

5. Dividends *(item 5)*

	Date of payment	Total amount of dividend
Interim dividend year ended 30 June 2015	Not applicable	\$nil
Final dividend year ended 30 June 2015	Not applicable	\$nil

Amount per security

	Amount per security	Franked amount per security at % tax	Amount per security of foreign sourced dividend
Total dividend: Current year	nil¢	nil ¢	nil ¢
Previous year	nil¢	nil ¢	nil ¢

Total dividend on all securities

	Current period \$A'000	Previous corresponding Period - \$A'000
Ordinary securities <i>(each class separately)</i>	nil	nil
Preference securities <i>(each class separately)</i>	nil	nil
Other equity instruments <i>(each class separately)</i>	nil	nil
Total	nil	nil

6. Details of dividend or distribution reinvestment plans in operation are described below *(item 6):*

The company does not currently have a dividend reinvestment plan.

The last date(s) for receipt of election notices for participation in the dividend or distribution reinvestment plan

Not applicable.

7. Details of associates and joint venture entities (item 7)

Name of associate or joint venture entity	%Securities held
NewCO2Fuels Ltd	33.33%
PT Geopower Indonesia	40%

Aggregate share of profits (losses) of associates and joint venture entities

Group's share of associates' and joint venture entities':	2015 \$	2014 \$
Profit (loss) from ordinary activities before tax	(1,216,768)	(1,287,501)
Income tax on ordinary activities	-	-
Net profit (loss) from ordinary activities after tax	(1,216,768)	(1,287,501)
Adjustments	-	-
Share of net profit (loss) of associates and joint venture entities	(408,285)	(431,658)

8. The financial information provided in the Appendix 4D is based on the half year condensed financial report (attached).**9. Independent review of the financial report (item 9)**

The financial report has been independently reviewed. The financial report is not subject to a qualified independent review statement. The financial report is subject to an independent review statement that contains an emphasis of matter, details of which are set out in the independent review statement accompanying and forming part of this report.

10. Matters relating to a qualified independent review statement

A description of the dispute or qualification in respect of the independent review of the half-year financial report is provided below (item 9)

Not applicable.



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

**FINANCIAL REPORT
FOR THE HALF-YEAR ENDED
31 DECEMBER 2015**

This half-year financial report is to be read in
conjunction with the financial report for the
year ended 30 June 2015

**GREENEARTH ENERGY LTD AND CONTROLLED ENTITIES
FINANCIAL REPORT FOR THE HALF-YEAR ENDED
31 DECEMBER 2015**

TABLE OF CONTENTS

	Page
Directors' Report	1
Auditor's Independence Declaration	7
Financial Report for the half year ended 31 December 2015	
Condensed Consolidated Statement of Comprehensive Income	8
Condensed Consolidated Statement of Financial Position	9
Condensed Consolidated Statement of Changes in Equity	10
Condensed Consolidated Statement of Cash Flows	11
Notes to the Condensed Consolidated Financial Statements	12
Directors' Declaration	20
Independent Auditor's Review Report	21

GREENEARTH ENERGY LTD AND CONTROLLED ENTITIES
ACN: 120 710 625
DIRECTORS' REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

The Directors present their report together with the condensed financial report of the consolidated entity consisting of Greenearth Energy Ltd (the Company) and its controlled entities (the Group), for the half-year ended 31 December 2015 and independent review report thereon. This financial report has been prepared in accordance with AASB 134 Interim Financial Reporting.

Directors names

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

<u>Name</u>	<u>Period of directorship</u>
Samuel R Marks	Director since 1 July 2012
Robert J Annells	Director since 13 July 2006
John T Kopcheff	Director since 13 July 2006
Charles Macek	Director since 3 December 2015
Philip Zajac	Director since 4 September 2014

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

Review of operations

The consolidated loss of the group for the half-year after providing for income tax amounted to \$2,030,887 (2014: \$3,942,300 loss). The 2014 result included a provision for impairment of \$2,152,288 in relation to the company's geothermal exploration and evaluation assets.

Evolution to an industrial company

During the period, Greenearth Energy's ASX listing transitioned from that of a "mining exploration entity" to an ordinary industrial listing. This better reflects the group's current business focus, which has evolved from the previous focus on geothermal exploration to the current focus on industrial energy efficiency (via the group's subsidiary, Vivid Industrial, and its investment in NewCO2Fuels).

Greenearth appointed Mr Charles Macek as a Non-Executive Director in December 2015. Mr Macek brings extensive industrial and property experience (having held senior board positions on public companies past and present including Telstra, Wesfarmers and Vicinity Centres), along with an extensive and successful career in the financial services industry.

Mr Macek's appointment marks another step in GER appointing experienced directors and executives that can contribute to the Company's growth, and help establish GER as a diversified, technologically advanced industrial services company.

Investment in NewCO2Fuels

Greenearth continued its investment in this exciting business during the period and is now well on the way towards completing its total US\$3m investment in NewCO2Fuels ("NCF"), which it can complete for a further US\$0.35m in the March 2016 quarter.

Greenearth intends to retain its 33.33% interest in NCF and improve the ownership structure to maximise shareholder value.

GREENEARTH ENERGY LTD AND CONTROLLED ENTITIES
ACN: 120 710 625
DIRECTORS' REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

Review of operations (continued)

NCF commercialisation progress

NCF continues to commercialise its technology, whilst establishing pilot sites across varying industries. The first half of this financial year saw continued enhancements across the reactor design, with the finalisation of the Pilots reactor and design, including further improvements in the working efficiencies to ensure more financially attractive results for users, whilst also delivering long-term performance post implementation.

During the period, NCF continued to receive much attention across private and public sector, with Government recognition in the United States and Israel, along with an abundance of press off the back of increased interest in the sector globally, from COP21 (the "2015 Paris Climate Conference").

Introduction of new lighting product range

Vivid Industrial launched its "Matrixx" range of industrial lighting systems during the period. This proprietary and internationally acclaimed product range is optimised for large warehouses and distribution centres. Its internally developed technology delivers unrivalled energy consumption reductions for an intelligent lighting system, maximising value for customers via energy savings and emissions reductions.

Existing customers of the Matrixx lighting system are already saving over 80% of lighting energy costs using this proven and reliable industrial system, with further orders already received for delivery in the second half of the financial year and strong interest from multi-site customers.

The investment into the development of the Australian made and designed Matrixx technology, along with Vivid Industrial's unique approach, is creating opportunities across the globe with relatively high energy costs resulting in improved pay-back periods for customers. By developing this proprietary Australian-made product internally, Vivid Industrial has ensured it can retain maximum benefit from any eventual international success of the range.

Proposed acquisition of Ilum-a-Lite

In December 2015, Vivid Industrial announced the signing of a Heads of Agreement to acquire 100% of Ilum-a-Lite Pty Ltd ('Ilum-a-Lite'), a business that derives most of its income from providing lighting upgrades on a supply and install basis and innovative lighting product sales.

Key transaction highlights include:

- Current work in hand on existing lighting upgrade projects is expected to deliver over \$5m revenue to Ilum-a-Lite.
- Expected to make a positive EBIT contribution to group FY2016 results.
- Improves Vivid Industrial's customer base and expands revenue sources.
- Provides immediate Sydney operating footprint.
- Ilum-a-Lite co-founder and CEO to enter into long term employment agreement with GER with 24 month escrow on equity component of consideration.

The acquisition is subject to due diligence, final agreements and customary conditions, with completion expected to occur in the second half of FY2016.

GREENEARTH ENERGY LTD AND CONTROLLED ENTITIES
ACN: 120 710 625
DIRECTORS' REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

Review of operations (continued)

Financial results

The group's Net Loss After Tax reduced by 48% compared to the previous corresponding period, from \$3,942,300 to \$2,030,887.

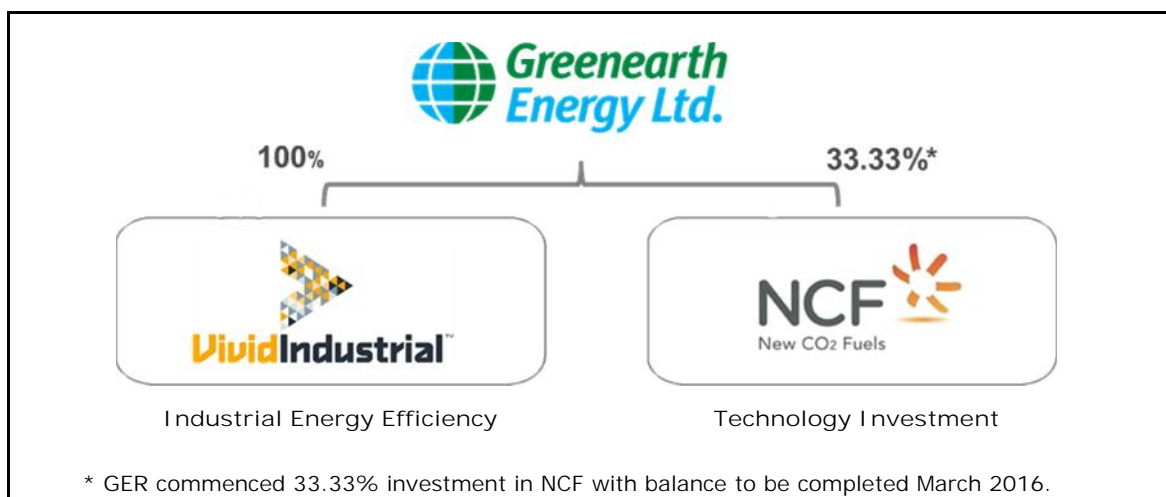
Revenue and other income increased by 72%, including a research and development incentive rebate of \$575,209.

Employment costs increased by 34%, due primarily to options issued during the period to employees and Directors. Details of options issued during the period are provided in the attached financial statements. These options contributed to a non-cash share based payments expense of \$212,856 for period, up from \$30,140 in 2014.

The primary reason for the previous corresponding period loss was a provision for impairment in relation to the company's geothermal exploration and evaluation assets. In December 2014, these assets were reduced to nil in order to provide for the impairment of the company's Otway and Gippsland areas of interest. This resulted in a non-cash impairment expense of \$2,152,288 during the half year ended 31 December 2014 (nil in the current period). The company had assessed that, on balance, the current regulatory and political environment was unlikely to enable progression of its Victorian geothermal interests in the near future.

About the group

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



Greenearth Energy'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").

A descriptive overview of each business unit is set out in turn on the following pages.

Review of operations (continued)



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.



GREENEARTH ENERGY LTD AND CONTROLLED ENTITIES
ACN: 120 710 625
DIRECTORS' REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

Review of operations (continued)



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 CO₂ 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.

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



In June 2014, the Group entered into an agreement to acquire a 33.33% interest in NewCO2Fuels Ltd. The new investment allowed the Group to invest up to USD \$3m by January 2015 (since amended to March 2016). 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 31.05% 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.

GREENEARTH ENERGY LTD AND CONTROLLED ENTITIES
ACN: 120 710 625
DIRECTORS' REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

Significant changes in the state of affairs

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

Subsequent events

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

Auditor's independence declaration

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

Signed in accordance with a resolution of the directors.



Samuel R Marks
Managing Director
Greeneearth Energy Ltd
Dated this 25th day of February 2016

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

**AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF GREENEARTH ENERGY LTD**

In relation to the independent auditor's review for the half-year ended 31 December 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 period.



B POWERS
Partner

25 February 2016



PITCHER PARTNERS
Melbourne

GREENEARTH ENERGY LTD AND CONTROLLED ENTITIES
 ACN: 120 710 625
 CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
 FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

		Half-year	
	Notes	2015 \$	2014 \$
Revenue and Other Income			
Sales revenue		426,114	439,382
Gain on fair value of investments		-	5,496
Net foreign exchange gain		12,727	-
Other income		583,804	149,420
		<u>1,022,645</u>	<u>594,298</u>
Less: Expenses			
Employee benefits expenses		(1,253,326)	(936,140)
Costs incurred in the sale of inventories		(421,980)	(416,343)
Depreciation expense		(21,194)	(4,292)
Finance costs		(3,380)	(3,246)
Accounting and audit expenses		(58,780)	(19,040)
Marketing and promotion expenses		(30,076)	(62,207)
Rent and occupancy expenses		(86,878)	(60,819)
Consulting expenses		(187,745)	(69,592)
Foreign exchange losses		-	(24,351)
Impairment expense	5	-	(2,152,288)
Administrative expenses		(408,694)	(244,032)
Other expenses		(173,194)	(112,590)
Total Expenses		<u>(2,645,247)</u>	<u>(4,104,940)</u>
Share of (loss) of associates accounted for using the equity method		<u>(408,285)</u>	<u>(431,658)</u>
Loss before income tax expense		(2,030,887)	(3,942,300)
Income tax expense		-	-
Loss for the half-year		<u>(2,030,887)</u>	<u>(3,942,300)</u>
Total comprehensive income for the half year		<u>(2,030,887)</u>	<u>(3,942,300)</u>
Loss is attributable to:			
Members of Greenearth Energy Ltd		(2,030,887)	(3,942,300)
Non-controlling interests		-	-
		<u>(2,030,887)</u>	<u>(3,942,300)</u>
Earnings per share for loss attributable to the equity holders of the parent entity:			
Basic loss per share (cents per share)		(0.78)	(2.00)
Diluted loss per share (cents per share)		(0.78)	(2.00)

The accompanying notes form part of these financial statements

GREENEARTH ENERGY LTD AND CONTROLLED ENTITIES
 ACN: 120 710 625
 CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
 AS AT 31 DECEMBER 2015

	Notes	31 December 2015 \$	30 June 2015 \$
CURRENT ASSETS			
Cash and cash equivalents		2,031,978	2,572,164
Receivables		1,450,813	837,281
Financial assets at fair value through profit or loss		7,066	7,066
Inventories		840,184	650,623
Other financial assets		54,124	54,124
Other current assets		306,718	125,022
TOTAL CURRENT ASSETS		4,690,883	4,246,280
NON-CURRENT ASSETS			
Equity accounted investments	4	1,596,939	698,826
Property, plant and equipment		175,448	149,877
Exploration and evaluation assets	5	-	-
TOTAL NON-CURRENT ASSETS		1,772,387	848,703
TOTAL ASSETS		6,463,270	5,094,983
CURRENT LIABILITIES			
Payables		1,252,521	891,538
Provisions		108,715	87,413
TOTAL CURRENT LIABILITIES		1,361,236	978,951
NON-CURRENT LIABILITIES			
Provisions		44,027	35,542
TOTAL NON-CURRENT LIABILITIES		44,027	35,542
TOTAL LIABILITIES		1,405,263	1,014,493
NET ASSETS		5,058,007	4,080,490
EQUITY			
Share capital	6	26,504,363	23,708,815
Reserves		278,142	65,286
Accumulated losses		(21,684,161)	(19,653,274)
EQUITY ATTRIBUTABLE TO THE OWNERS OF GREENEARTH ENERGY LTD		5,098,344	4,120,827
Non-controlling interest		(40,337)	(40,337)
TOTAL EQUITY		5,058,007	4,080,490

The accompanying notes form part of these financial statements

GREENEARTH ENERGY LTD AND CONTROLLED ENTITIES
ACN: 120 710 625
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

	Share Capital \$	Reserves \$	Accumulated Losses \$	Non- controlling interest \$	Total Equity \$
Consolidated					
Balance at 1 July 2015	23,708,815	65,286	(19,653,274)	(40,337)	4,080,490
Loss for the half year	-	-	(2,030,887)	-	(2,030,887)
Total comprehensive income for the half year	-	-	(2,030,887)	-	(2,030,887)
Transactions with owners in their capacity as owners:					
Contributions	2,963,700	-	-	-	2,963,700
Costs of raising capital	(168,152)				(168,152)
Equity based payments	-	212,856	-	-	212,856
Transactions with owners in their capacity as owners	2,795,548	212,856	-	-	3,008,404
Balance at 31 Dec 2015	26,504,363	278,142	(21,684,161)	(40,337)	5,058,007
Balance at 1 July 2014	19,716,215	(37,521)	(13,667,262)	(40,337)	5,971,095
Loss for the half year	-	-	(3,942,300)	-	(3,942,300)
Total comprehensive income for the half year	-	-	(3,942,300)	-	(3,942,300)
Transactions with owners in their capacity as owners:					
Contributions	-	-	-	-	-
Equity based payments	-	30,140	-	-	30,140
Transactions with owners in their capacity as owners	-	30,140	-	-	30,140
Balance at 31 Dec 2014	19,716,215	(7,381)	(17,609,562)	(40,337)	2,058,935

The accompanying notes form part of these financial statements

GREENEARTH ENERGY LTD AND CONTROLLED ENTITIES
 ACN: 120 710 625
 CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
 FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

	Half-year	
	2015	2014
	\$	\$
CASH FLOW FROM OPERATING ACTIVITIES		
Receipts from customers	469,797	492,796
Payments to suppliers and employees	(2,477,880)	(1,948,508)
Research and development rebates received	-	310,077
Interest received	2,092	3,573
Net cash used in operating activities	<u>(2,005,991)</u>	<u>(1,142,062)</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(37,496)	(60,980)
Purchase of unlisted securities	(1,306,398)	(565,445)
Payments for bonds and deposits	(324,744)	(54,124)
Proceeds from matured bonds and deposits	324,744	54,124
Net cash used in investing activities	<u>(1,343,894)</u>	<u>(626,425)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issues of ordinary shares	2,963,700	-
Capital raising costs	(143,544)	-
Net cash provided by investing activities	<u>2,820,156</u>	<u>-</u>
Net increase/(decrease) in cash and cash equivalents	(529,729)	(1,768,487)
Foreign exchange differences on cash holdings	(10,457)	22,652
Cash and cash equivalents at beginning of the half-year	2,572,164	3,187,415
Cash and cash equivalents at end of the half-year	<u><u>2,031,978</u></u>	<u><u>1,441,580</u></u>

The accompanying notes form part of these financial statements

GREENEARTH ENERGY LTD AND CONTROLLED ENTITIES

ACN: 120 710 625

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS 31 DECEMBER 2015

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

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

It is recommended that this half-year financial report be read in conjunction with the annual financial report for the year ended 30 June 2015 and any public announcements made by Greenearth Energy Ltd during the half-year in accordance with any continuous disclosure obligations arising under the Corporations Act 2001.

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

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

(a) Basis of preparation

This condensed consolidated half-year financial report has been prepared in accordance with Australian Accounting Standard AASB 134 Interim Financial Reporting, as appropriate for for-profit entities, and the Corporations Act 2001. Compliance with AASB 134, as appropriate for for-profit entities, ensures compliance with International Financial Reporting Standard IAS 34 Interim Financial Reporting.

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

The accounting policies applied in this half-year financial report are consistent with those of the annual financial report for the year ended 30 June 2015 and the corresponding half-year except as described below in Note 1(c).

(b) Going Concern

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

The consolidated entity incurred a net loss for the half year of \$2,030,887 (2014: \$3,942,300).

The Directors have determined that there may be a net cash requirement of up to \$2.4m 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 up to \$2.4m 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. Should such funding not be available (for example, through insufficient sales growth or additional capital), the Directors have considered alternate plans and would take steps to reduce the net cash requirement to a manageable level.

The anticipated revenue growth and 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.

(b) Going Concern (continued)

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 Condensed Consolidated Statement of Financial Position may be significantly less than the amounts disclosed and the extent of liabilities may differ significantly from those reflected.

(c) Summary of the significant accounting policies

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

The 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 2018.

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.

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.

(c) Summary of the significant accounting policies (continued)

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.

Other changes to be introduced under AASB 9 include:

- 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 31 December 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: DIVIDENDS

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

NOTE 3: SEGMENT INFORMATION

(a) Description of segments

The group has five reportable segments. 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 project that are currently being 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 150,000km² 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 km² of South Eastern Victoria, of which approximately 16,000km² lies onshore. Greenearth Energy's GEP 12 and 13 permits are located within the Basin.

Segment 5: Geothermal - Indonesia

Greenearth Energy Group holds an interest in a business in Indonesia which was established to explore the possibility of geothermal development projects within the country of Indonesia. Indonesia is a widely recognised geothermal province.

GREENEARTH ENERGY LTD AND CONTROLLED ENTITIES
ACN: 120 710 625
NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS 31 DECEMBER 2015

NOTE 3: 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	1,001,826	-	-	-	-	1,001,826
Inter-segment revenue	-	-	-	-	-	-
Segment revenue from external source	1,001,826	-	-	-	-	1,001,826
Segment result						
Total segment result	(904,752)	(509,675)	-	-	(16,405)	(1,430,832)
Inter-segment eliminations	-	-	-	-	-	-
Segment result from external source	(904,752)	(509,675)	-	-	(16,405)	(1,430,832)
Total segment assets	1,492,109	2,204,948	-	-	86,044	3,783,101
Total segment liabilities	635,681	-	-	15,000	-	650,681
2014	Industrial Energy Efficiency \$	Technology Investment \$	Geothermal - Otway Basin \$	Geothermal - Gippsland Basin \$	Geothermal - Indonesia \$	Total \$
Segment revenue						
Total segment revenue	472,823	-	-	59,920	-	532,743
Inter-segment revenue	-	-	-	-	-	-
Segment revenue from external source	472,823	-	-	59,920	-	532,743
Segment result						
Total segment result	(1,008,310)	(550,503)	(619,334)	(1,473,034)	(15,199)	(3,666,380)
Inter-segment eliminations	-	-	-	-	-	-
Segment result from external source	(1,008,310)	(550,503)	(619,334)	(1,473,034)	(15,199)	(3,666,380)
Total segment assets	567,134	740,953	-	-	53,663	1,361,750
Total segment liabilities	407,199	-	-	15,000	-	422,199

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

GREENEARTH ENERGY LTD AND CONTROLLED ENTITIES

ACN: 120 710 625

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS 31 DECEMBER 2015

	Notes	2015 \$	Half-year 2014 \$
NOTE 3: SEGMENT INFORMATION (continued)			
(b) Segment information (continued)			
(i) Reconciliation of segment result to the condensed consolidated statement of comprehensive income			
Segment result from external source		(1,430,832)	(3,666,380)
Interest revenue		2,092	4,771
Interest expense		-	-
Depreciation and amortisation		(21,194)	(4,292)
Net foreign exchange gain/(loss)		12,727	(24,351)
Unallocated revenue and gains		-	6,005
Unallocated expenses		(593,680)	(258,053)
Total loss before income tax		<u>(2,030,887)</u>	<u>(3,942,300)</u>
		31 December 2015 \$	30 June 2015 \$

NOTE 4: EQUITY ACCOUNTED INVESTMENTS

Equity accounted investment in associated entities	<u>1,596,939</u>	<u>698,826</u>
--	------------------	----------------

Included within equity accounted investments is the group's investment in NewCO2Fuels Ltd (incorporated in Israel) of \$1,519,128 (30 June 2015: \$638,040). Reflected in the carrying amount is \$391,880 (2014: \$416,459), being the group's share of the net loss of that associate for the period.

Refer to Note 11 (a) for details of impairment assessment methodology relating to the equity accounted investment in NewCO2Fuels Ltd.

NOTE 5: EXPLORATION AND EVALUATION ASSETS

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

The carrying amount of exploration and evaluation assets was reduced to nil during the half year ended 31 December 2014 in order to provide for the impairment of the company's Otway and Gippsland areas of interest. The company assessed that, on balance, the current regulatory and political environment was unlikely to enable progression of its Victorian geothermal interests in the near future.

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

GREENEARTH ENERGY LTD AND CONTROLLED ENTITIES
ACN: 120 710 625
NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS 31 DECEMBER 2015

NOTE 6: CONTRIBUTED CAPITAL

37,046,250 ordinary shares were issued during the period ended 31 December 2015 as part of a share placement completed at an issue price of 8 cents per share. This resulted in proceeds of \$2,963,700 less associated costs of \$168,152 for net proceeds of \$2,795,548.

During the period, the company issued 4,400,000 unlisted options over ordinary shares to employees pursuant to the company's Employee Option Plan. These options expire on 7 August 2018 and have an exercise price of 12.5 cents.

During the period, the company issued 5,000,000 unlisted options over ordinary shares to the Managing Director for nil consideration as part of executive remuneration arrangements. These options expire on 23 December 2018 and have an exercise price of 12.5 cents.

During the period, the company issued 4,000,000 unlisted options over ordinary shares to Non-executive Directors for nil consideration as part of executive remuneration arrangements. These options expire on 23 December 2018 and have an exercise price of 12.5 cents.

NOTE 7: RELATED PARTY TRANSACTIONS

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

	31 December 2015	30 June 2015
Notes	\$	\$

NOTE 8: COMMITMENTS

Lease expenditure commitments

Operating leases (non-cancellable)

Minimum lease payments:

Not later than one year	166,287	165,169
Late that one year and not later than five years	316,987	399,906
	<u>483,274</u>	<u>565,075</u>

Operating lease commitments relate to lease of office premises.

Capital expenditure commitments

Technology

Estimated aggregate amount payable:

Not later than one year	<u>612,126</u>	<u>289,101</u>
-------------------------	----------------	----------------

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

Bank guarantees

Exploration

Maximum amount bank may call	<u>45,000</u>	<u>45,000</u>
------------------------------	---------------	---------------

GREENEARTH ENERGY LTD AND CONTROLLED ENTITIES
ACN: 120 710 625
NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS 31 DECEMBER 2015

	31 December 2015	30 June 2015
Notes	\$	\$

NOTE 9: CONTINGENT LIABILITIES

Investment in NewCO2Fuels

In June 2014, the Group entered into an agreement to acquire a 33.33% interest in NewCO2Fuels Ltd. The new investment allowed the Group to invest up to USD \$3m by January 2015 (since amended to March 2016). 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 31.05% instead of 33.33%.

The difference between the total investment amount and the cumulative investment amount represents a contingent asset and a contingent liability as follows:

Contingent asset relating to interest in associate	479,058	1,692,708
Contingent liability relating to interest in associate	479,058	1,692,708

NOTE 10: SUBSEQUENT EVENTS

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

NOTE 11: FAIR VALUE MEASUREMENTS

(a) Fair value hierarchy

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

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

All financial assets at fair value through profit or loss totalling \$7,066 (30 June 2015: \$7,066) are classified as Level 1 items in the fair value hierarchy. These assets meet the definition of "held for trading" and therefore are required to be measured at fair value through profit or loss. There were no transfers between level 1 and level 2 during the year.

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

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.

GREENEARTH ENERGY LTD AND CONTROLLED ENTITIES
ACN: 120 710 625
DIRECTORS' DECLARATION

The directors declare that the financial statements and notes set out on pages 8 to 19 in accordance with the *Corporations Act 2001*:

- (a) Comply with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001, and other mandatory professional reporting requirements; and
- (b) Give a true and fair view of the financial position of the consolidated entity as at 31 December 2015 and of its performance for the half-year ended on that date.

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

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



Samuel R Marks
Managing Director
Greenearth Energy Ltd
Dated this 25th day of February 2016
Melbourne

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

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

We have reviewed the accompanying half-year financial report of Greenearth Energy Ltd and controlled entities, which comprises the condensed consolidated statement of financial position as at 31 December 2015, the condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the period's end or from time to time during the half year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Greenearth Energy Ltd and controlled entities, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

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

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

Conclusion

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Emphasis of Matter in relation to Going Concern

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

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

The consolidated entity incurred a net loss for the half year of \$2,030,887 (2014: \$3,942,300).

The Directors have determined that there may be a net cash requirement of up to \$2.4m 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 up to \$2.4m 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. Should such funding not be available (for example, through insufficient sales growth or additional capital), the Directors have considered alternate plans and would take steps to reduce the net cash requirement to a manageable level.

The anticipated revenue growth and 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.

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

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

If the going concern basis of accounting is found to no longer be appropriate, the recoverable amount of the assets shown in the Condensed Consolidated Statement of Financial Position may 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.



B POWERS
Partner

25 February 2016



PITCHER PARTNERS
Melbourne