

ENVIROMISSION LIMITED AND CONTROLLED ENTITIES

ABN: 52 094 963 238

**Financial Report For The Year Ended
30 June 2016**

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**ENVIROMISSION LIMITED ABN: 52 094 963 238 AND CONTROLLED ENTITIES
DIRECTORS' REPORT**

Your directors present their report, together with the financial statements of the Group, being the Company and its controlled entities for the financial year ended 30 June 2016.

Principal Activities and Significant Changes in Nature of Activities

The principal activities of the consolidated group during the financial year continued to see the development of Solar Tower renewable energy technology in the United States of America and global markets.

Operating Results and Review of Operations for the year

Operating Results

The consolidated loss of the consolidated group amounted to \$1,521,128 (2015: \$1,567,749) after providing for income tax. This represented a 3% decrease in loss on the result reported for the year ended 30 June 2016.

Review of Operations

The EnviroMission Limited strategic intent to manage through commercialisation of EnviroMission's Solar Tower development rights in suitable global markets forms the focus of daily operations and corporate actions.

The necessity to ensure sufficient capital will be available for daily operations to support EnviroMission's overarching role as lead project consultant to global development proponents has dominated corporate actions over the past financial year.

EnviroMission representatives met with Japan based investment proposer, Valentia Development Co., in the United States in July 2015, and following a period of due diligence EnviroMission and Valentia entered into an Heads of Agreement proposing Valentia would invest US\$10,000,000 in EnviroMission by way of a convertible note or direct investment for equity with a proposal for further investment up to US\$100M in Solar Tower project/s initially in the United States.

Details of this Heads of Agreement was released to the market on 1 September 2015, with further details being released to the market on 3 September 2015.

Since that time there has been a series of renegotiations in respect of the form of Valentia's proposed investment, and delays in the provision of funding. We have kept the ASX informed of these in each instance, but given the lack of resolution in respect of the proposed funding, on 13 May 2016 trading in shares in Enviromission were suspended. Trading in our shares continues to be suspended, and we expect that to remain in place until there is resolution of the issues that have arisen in respect of the proposed investment from Valentia.

There is no doubting the process and delays associated with the Valentia investment proposal has caused frustration for EnviroMission and its stakeholders and on the weight of the undertakings provided to EnviroMission, your Board has considered it reasonable to provide Valentia with the time it has sought to deliver its intention to meet the terms of the Heads of Agreement for a substantial investment in EnviroMission and Solar Tower development. However, EnviroMission is also cognisant of the impact of the continuing delays to Valentia's investment, and can provide reassurance that strategies are in place to move past the Heads of Agreement that has no requirement of exclusivity to prevent EnviroMission from seeking alternative investment sources in the short or longer term.

EnviroMission is reliant on investor capital to progress the commercialisation of Solar Tower technology development rights agreements that will provide revenue to EnviroMission via associated Solar Tower development license agreement fees and royalties, and on that basis EnviroMission must work with investors in order to prosecute that objective.

Financial Position

The net position of the consolidated group has decreased by \$51,380 from net assets \$273,061 in 30 June 2015 to \$221,681 in 30 June 2016.

The consolidated group has increased its borrowings by \$89,730 from \$55,386 in 30 June 2015 to \$145,116 in 30 June 2016.

The directors of the Group remain confident that further capital can be raised in both Australian and US markets to meet the debts of the Group when they fall due and pursue the successful development of solar towers, ensuring that the Group can fund its operation and continue as a going concern.

Significant Changes in State of Affairs

In the opinion of the directors, there have been no other significant changes in the Group's state of affairs or principal activities during the twelve months to 30 June 2016.

Dividends Paid or Recommended

No dividends were paid or declared during the financial year.

Events after the Reporting Period

David Galbally QC resigned as a Director of the Company on 6 September 2016.

Other than the continued re-negotiations with Valentia Development Co concerning their proposed investment together with continued re-negotiations with RA Solar concerning the Development Rights fee for the Indian region there are no specific events post balance date that has not been addressed in ASX Announcements to date.

The Company's securities continue to be suspended from trading pending a resolution on the Valentia Development Co investment.

**ENVIROMISSION LIMITED ABN: 52 094 963 238 AND CONTROLLED ENTITIES
DIRECTORS' REPORT**

Future Developments, Prospects and Business Strategies

Disclosure of information regarding likely developments in the operations of the Group in future financial years and the expected results of those operations are likely to result in unreasonable prejudice to the Group. Accordingly, this information has not been disclosed in this report.

Environmental issues

Energy Efficiency Opportunities Guidelines

The Group is not subject to the conditions imposed by the registration and reporting requirements of the Energy Efficiency Opportunities Act 2006 in the current financial year as its energy consumption was below the 0.5 petajoule registration threshold.

The Group exceeds this threshold in future reporting periods, it will be required to register with the Department of Resources, Energy and Tourism and complete an Energy Saving Action Plan. This plan assesses the energy usage of the Group and identifies opportunities for the Group to reduce its energy consumption.

Information on Directors

| | | |
|--|---|--|
| Roger C Davey | — | Executive Chairman, Chief Executive Officer |
| Qualifications | — | B.Bus, CPA, CFTP |
| Experience | — | Mr Davey is the executive director and Chief Executive Officer of the Company, Mr Davey has extensive working knowledge of, and experience in commodity and financial risk management. |
| | — | Mr Davey holds qualifications of Bachelor of Business (Economics/Accounting), Member of Certified Practising Accountants, Member of the Securities Institute of Australia and Member of the Finance and Treasury Association Limited. |
| | — | Mr Davey was a director of Australia's largest stockbroking firm, McIntosh Securities Ltd (now Merrill Lynch) and he was responsible for the creation and development of financial futures operations as managing director of McIntosh Risk Management Ltd. He was also a director of the Sydney Futures Exchange Ltd and Bain Refco Commodities Ltd, a large brokerage house owned by Refco Inc, of the USA and Deutsche Bank AG. Mr Davey was responsible for the creation and development of the clearing services offered by Deutsche Bank Australia. He has also been a director and Chief Financial Officer of companies listed in Australia, USA and Canada, one with a triple listing on the Vancouver Stock Exchange, NASDAQ and the ASX. |
| Interest in Shares | — | 54,553,406 |
| Interest in Options | — | 17,000,000 |
| Directorships held in other listed entities during the three years prior to the current year | — | Nil |
| David N Galbally QC | — | Non-Executive Director (Resigned on 6 September 2016) |
| Qualifications | — | B Juris LLB |
| Experience | — | Mr Galbally has extensive experience in areas of criminal law, white collar crime, corporate law media and sports law. David adds a depth of experience in corporate governance and due diligence processes to the board of EnviroMission. |
| | — | Mr Galbally is an accredited mediator and also has wide ranging experience in environmental and Occupational Health and Safety matters. |
| | — | Mr Galbally was a partner in the legal firm of Galbally & O'Bryan from 1977 to 1983, appointed Queens Council in 1996 and partner in the firm Browne and Co from 2000 to 2009. He is currently a partner with Madwicks Lawyers since 2010. |
| | — | Service to the community is highlighted by Mr Galbally's board appointments that include patron of Mental Health Council of Australia and the Epilepsy Foundation, honorary chair of the board of the Royal Children's Hospital for Hormone Research and President of Alzheimer's. |
| Interest in Shares | — | 3,158,537 |
| Interest in Options | — | 6,500,000 |
| Directorships held in other listed entities during the three years prior to the current year | — | GNV Limited |
| Andrew J Draffin | — | Chief Financial Officer and Company Secretary |
| Qualifications | — | B.Bus, CA |
| Experience | — | Andrew Draffin is a partner of the accounting firm DW Accounting & Advisory Pty Ltd. He holds a Bachelor of Commerce and is a member of the Institute of Chartered Accountants Australia and New Zealand. Andrew is a director and Chief Financial Officer of both listed and private companies across a broad range of industries. His focus is on financial reporting, treasury management, management accounting and corporate services, areas where he has gained over 16 years experience. |
| Interest in Shares | — | 8,837,428 |
| Interest in Options | — | 6,500,000 |
| Directorships held in other listed entities during the three years prior to the current year | — | Gladiator Resources Limited |
| | — | Global Petroleum Limited (Appointed on 10 June 2016) |

**ENVIROMISSION LIMITED ABN: 52 094 963 238 AND CONTROLLED ENTITIES
DIRECTORS' REPORT**

Company Secretary

Mr Andrew Draffin was appointed on 2 March 2009.

The Company Secretary is accountable directly to the Board, through the Chair, on all matters to do with proper functioning board.

Meetings of Directors

During the financial year, 3 meetings of directors (including committees of directors) were held.

Attendances by each director during the year were as follows:

| Directors' Meetings | |
|---------------------------|-----------------|
| Number eligible to attend | Number attended |
| Roger C Davey | 3 |
| David N Galbally QC | 3 |
| Andrew J Draffin | 3 |

Indemnifying Officers or Auditor

The company has paid a premium of \$17,880 to insure directors against liabilities for costs and expenses incurred by them in defending legal proceedings arising from their conduct while acting in the capacity of directors of the company, other than conduct involving a wilful breach of duty in relation to the company.

Options

At the date of this report, the unissued ordinary shares of EnviroMission Limited under option are as follows:

| Issuing entity | Grant Date | Number of shares under option | Class of shares | Exercise price | Expiry Date |
|-----------------------|-------------------|-------------------------------|-----------------|----------------|-------------------|
| EnviroMission Limited | 3 December 2013 | 1,700,000 | Ordinary | 20 cents | 15 September 2016 |
| EnviroMission Limited | 27 December 2013 | 3,000,000 | Ordinary | 10 cents | 15 September 2016 |
| EnviroMission Limited | 16 January 2014 | 2,500,000 | Ordinary | 13 cents | 15 September 2016 |
| EnviroMission Limited | 4 February 2014 | 2,000,000 | Ordinary | 5.5 cents | 15 September 2016 |
| EnviroMission Limited | 7 March 2014 | 6,398,525 | Ordinary | 13 cents | 15 September 2016 |
| EnviroMission Limited | 17 April 2014 | 3,952,279 | Ordinary | 14 cents | 15 September 2016 |
| EnviroMission Limited | 22 May 2014 | 2,292,857 | Ordinary | 14 cents | 15 September 2016 |
| EnviroMission Limited | 11 June 2014 | 1,164,590 | Ordinary | 13 cents | 15 September 2016 |
| EnviroMission Limited | 5 August 2014 | 1,522,900 | Ordinary | 14 cents | 15 September 2016 |
| EnviroMission Limited | 30 September 2014 | 430,278 | Ordinary | 13 cents | 15 September 2016 |
| EnviroMission Limited | 26 November 2014 | 600,000 | Ordinary | 10 cents | 15 September 2016 |
| EnviroMission Limited | 1 January 2015 | 86,000,000 | Ordinary | 10 cents | 15 September 2016 |
| EnviroMission Limited | 1 January 2015 | 42,500,000 | Ordinary | 12.5 cents | 15 September 2016 |
| EnviroMission Limited | 4 March 2015 | 1,175,000 | Ordinary | 10 cents | 15 September 2016 |
| EnviroMission Limited | 27 April 2015 | 960,916 | Ordinary | 10.6 cents | 15 September 2016 |
| EnviroMission Limited | 27 April 2015 | 561,857 | Ordinary | 12.8 cents | 15 September 2016 |
| EnviroMission Limited | 6 August 2015 | 1,453,333 | Ordinary | 15 cents | 15 September 2016 |
| EnviroMission Limited | 11 September 2015 | 945,000 | Ordinary | 20 cents | 15 September 2016 |
| EnviroMission Limited | 23 September 2015 | 1,100,000 | Ordinary | 20 cents | 15 September 2016 |
| EnviroMission Limited | 1 December 2015 | 5,000,000 | Ordinary | 10 cents | 15 September 2018 |
| EnviroMission Limited | 1 December 2015 | 60,000,000 | Ordinary | 15 cents | 15 September 2018 |
| EnviroMission Limited | 31 December 2015 | 1,750,000 | Ordinary | 20 cents | 15 September 2018 |
| | | <u>227,007,535</u> | | | |

Options holders do not have any rights to participate in any issues of shares or other interests in the company or any other entity.

No options expired during the financial year. There have been no unissued shares or interest under option of any controlled entity within the Group during or since the end of the reporting period.

For details of options issued to director and executives as remuneration, refer to the Remuneration Report.

During the year ended 30 June 2016, 150,000 ordinary shares of EnviroMission Limited were issued on the exercise of options granted. No amounts are unpaid on any of the shares.

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of any other body corporate.

Proceedings on Behalf of Company

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

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

Non-audit Services

No non-audit services were provided by the Company's auditors during the financial year.

Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2016 has been received and can be found on page 12 of the Financial Report.

**ENVIROMISSION LIMITED ABN: 52 094 963 238 AND CONTROLLED ENTITIES
DIRECTORS' REPORT**

REMUNERATION REPORT

Remuneration policy

The remuneration policy of EnviroMission Limited has been designed to align key management personnel (KMP) objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the consolidated group's financial results. The board of EnviroMission Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the high-quality KMP to run and manage the consolidated group, as well as create goal congruence between directors, executives and shareholders.

The Board's policy for determining the nature and amount of remuneration for KMP of the consolidated group is as follows:

- The remuneration policy is required to be developed by the Board who may seek professional advice from independent external consultants.
- Performance incentives are generally only paid once predetermined key performance indicators have been met.
- Incentives paid in the form of options or rights are intended to align the interests of the directors and the company with those of the shareholders. In this regard, key management personnel are prohibited from limiting risk attached to those instruments by use of derivatives or other means.
- The board reviews key management personnel packages annually by reference to the consolidated group's performance, executive performance and comparable information from industry sectors.

The performance of key management personnel is measured against criteria agreed bi-annually with each executive and is based predominantly on the forecast growth of the consolidated group's profits and shareholders' value. All bonuses and incentives must be linked to predetermined performance criteria. The Board may, however, exercise its discretion in relation to approving incentives, bonuses and options. Any changes must be justified by reference to measurable performance criteria. The policy is designed to attract the highest calibre of executives and reward them for performance results leading to long-term growth in shareholder wealth.

All remuneration paid to key management personnel is valued at the cost to the company and expensed.

The Board's policy is to remunerate non-executive directors at market rates for time, commitment and responsibilities. The Board determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting.

Performance-based Remuneration

The KPIs are set annually, with a certain level of consultation with KMP. The measures are specifically tailored to the area each individual is involved in and has a level of control over. The KPIs target areas the Board believes hold greater potential for group expansion and profit, covering financial and non-financial as well as short and long-term goals. The level set for each KPI is based on budgeted figures for the Group and respective industry standards.

In determining whether or not a KPI has been achieved, EnviroMission Limited bases the assessment on audited figures.

Relationship between Remuneration Policy and Company Performance

The remuneration policy has been tailored to increase goal congruence between shareholders, directors and executives. Two methods have been applied to achieve this aim, the first being a performance-based bonus based on key performance indicators, and the second being the issue of options to the majority of directors and executives to encourage the alignment of personal and shareholder interests. No bonus or performance based options were issued during the financial year ending 30 June 2016.

The following table shows the gross revenue, profits and dividends for the last five years for the listed entity, as well as the share prices at the end of the respective financial years.

| | 2012 | 2013 | 2014 | 2015 | 2016 |
|-------------------------|-------------|-------------|-------------|-------------|-------------|
| | \$ | \$ | \$ | \$ | \$ |
| Revenue | 49,235 | 383,013 | 224,679 | 515,680 | 452,217 |
| Net Profit | (1,599,560) | (1,420,723) | (1,773,837) | (1,567,749) | (1,521,127) |
| Share Price at Year-end | 4c | 3c | 6c | 7.5c | 10c |

Performance Conditions Linked to Remuneration

The remuneration of Directors and Key Management Personnel are not linked to the performance of the share price or earnings of the Company.

Employment Details of Members of Key Management Personnel

The following table provides employment details of persons who were, during the financial year, members of key management personnel of the consolidated group, and to the extent different, among the nine Group KMP or company KMP receiving the highest remuneration. The table also illustrates the proportion of remuneration that was performance and non-performance based and the proportion of remuneration received in the form of options.

| | Company | Position held as at 30 June 2016 and any change during the year |
|---------------------------------------|-----------------------------------|---|
| Group Key Management Personnel | | |
| Roger C Davey | EnviroMission Limited | Director |
| | SolarMission Limited | Director and Company Secretary |
| | Pure Solar Power (IP) Pty Ltd | Director |
| | SolarMission Technologies, Inc. | Director |
| | EnviroMission, Inc. | Director |
| | EnviroMission Capital, LLC. | Director |
| | EnviroMission Management Co., LLC | Director |
| | La Paz Solar Tower LLC | Director |
| David N Galbally QC | EnviroMission Limited | Director (Resigned on 6 September 2016) |
| | SolarMission Limited | Director |
| | EnviroMission, Inc. | Director |
| | EnviroMission Capital, LLC. | Director |
| | EnviroMission Management Co., LLC | Director |
| | La Paz Solar Tower LLC | Director |

ENVIROMISSION LIMITED ABN: 52 094 963 238 AND CONTROLLED ENTITIES
DIRECTORS' REPORT

| | | |
|---------------------|-----------------------------------|---|
| Andrew J Draffin | EnviroMission Limited | Director, Company Secretary and Chief Financial Officer |
| | Pure Solar Power (IP) Pty Ltd | Company Secretary |
| Christopher J Davey | EnviroMission, Inc. | Director |
| | EnviroMission Capital, LLC. | Director |
| | EnviroMission Management Co., LLC | Director |
| | La Paz Solar Tower LLC | Director |
| Kim Forte | SolarMission Limited | Director |
| | EnviroMission, Inc. | Director |
| | EnviroMission Capital, LLC. | Director |
| | EnviroMission Management Co., LLC | Director |
| | La Paz Solar Tower LLC | Director |
| David Rodli | SolarMission Technologies, Inc. | Director and Company Secretary |
| Doug Fant | EnviroMission, Inc. | Company Secretary |
| | EnviroMission Capital, LLC. | Company Secretary |
| | EnviroMission Management Co., LLC | Company Secretary |
| | La Paz Solar Tower LLC | Company Secretary |
| George Horvath | SolarMission Technologies, Inc. | Director |
| Billy Willey | SolarMission Technologies, Inc. | Director |

| 2016 | Proportions of elements of remuneration related to performance | | | Proportions of elements of remuneration not related to performance | | |
|---------------------|--|---------------|-----------------|--|-----------|--------------------------------------|
| | Non-salary cash based incentives | Shares/ Units | Options/ Rights | Fixed Salary/Fees | Total | Total outstanding as at 30 June 2016 |
| | \$ | \$ | \$ | \$ | \$ | \$ |
| Group KMP | | | | | | |
| Roger C Davey | - | - | 391,500 | 375,000 | 766,500 | 350,072 |
| David N Galbally QC | - | - | 130,500 | 60,000 | 190,500 | 95,000 |
| Andrew J Draffin | - | - | 130,500 | 120,175 | 250,675 | 125,443 |
| Christopher J Davey | - | - | 326,250 | 329,366 | 655,616 | 58,229 |
| Kim Forte | - | - | 261,000 | 240,000 | 501,000 | 52,412 |
| David Rodli | - | - | - | - | - | 71,331 |
| Doug Fant | - | - | 65,250 | - | 65,250 | - |
| George Horvath | - | - | - | - | - | - |
| Billy Willey | - | - | - | - | - | - |
| | - | - | 1,305,000 | 1,124,541 | 2,429,541 | 752,487 |

| 2015 | Proportions of elements of remuneration related to performance | | | Proportions of elements of remuneration not related to performance | | |
|---------------------|--|---------------|-----------------|--|-----------|--------------------------------------|
| | Non-salary cash based incentives | Shares/ Units | Options/ Rights | Fixed Salary/Fees | Total | Total outstanding as at 30 June 2015 |
| | \$ | \$ | \$ | \$ | \$ | \$ |
| Group KMP | | | | | | |
| Roger C Davey | - | - | 371,300 | 375,000 | 746,300 | 633,398 |
| David N Galbally QC | - | - | 121,000 | 60,000 | 181,000 | 185,000 |
| Andrew J Draffin | - | - | 157,000 | 120,175 | 277,175 | 225,000 |
| Christopher J Davey | - | - | 289,500 | 286,818 | 576,318 | - |
| Kim Forte | - | - | 289,500 | 240,000 | 529,500 | 22,839 |
| David Rodli | - | - | - | - | - | 82,645 |
| Doug Fant | - | - | 81,800 | - | 81,800 | - |
| George Horvath | - | - | - | - | - | - |
| Billy Willey | - | - | - | - | - | - |
| | - | - | 1,310,100 | 1,081,993 | 2,392,093 | 1,148,882 |

**ENVIROMISSION LIMITED ABN: 52 094 963 238 AND CONTROLLED ENTITIES
DIRECTORS' REPORT**

Remuneration Expense Details for the Year Ended 30 June 2016

The following table of benefits and payments represents the components of the current year and comparative year remuneration expenses for each member of KMP of the consolidated group. Such amounts have been calculated in accordance with Australian Accounting Standards:

Table of Benefits and Payments for the year ended 30 June 2016

| | Short-term benefits | | | | Equity-settled share based payments | |
|---------------------|------------------------------|--------------------------------|--------------------|-------------|-------------------------------------|------------------|
| | Salary, Fees and Leave \$ | Profit Share and bonuses \$ | Non-monetary \$ | Other \$ | Shares/Units \$ | Total \$ |
| 2016 | | | | | | |
| Group KMP | | | | | | |
| Roger C Davey | 375,000 | - | - | - | - | 375,000 |
| David N Galbally QC | 60,000 | - | - | - | - | 60,000 |
| Andrew J Draffin | 120,175 | - | - | - | - | 120,175 |
| Christopher J Davey | 329,366 | - | - | - | - | 329,366 |
| Kim Forte | 240,000 | - | - | - | - | 240,000 |
| David Rodli | - | - | - | - | - | - |
| Doug Fant | - | - | - | - | - | - |
| George Horvath | - | - | - | - | - | - |
| Billy Willey | - | - | - | - | - | - |
| Total KMP | 1,124,541 | - | - | - | - | 1,124,541 |

| | Short-term benefits | | | | Equity-settled share based payments | |
|---------------------|------------------------------|--------------------------------|--------------------|-------------|-------------------------------------|------------------|
| | Salary, Fees and Leave \$ | Profit Share and bonuses \$ | Non-monetary \$ | Other \$ | Shares/Units \$ | Total \$ |
| 2015 | | | | | | |
| Group KMP | | | | | | |
| Roger C Davey | 375,000 | - | - | - | - | 375,000 |
| David N Galbally QC | 60,000 | - | - | - | - | 60,000 |
| Andrew J Draffin | 120,175 | - | - | - | - | 120,175 |
| Christopher J Davey | 286,818 | - | - | - | - | 286,818 |
| Kim Forte | 240,000 | - | - | - | - | 240,000 |
| David Rodli | - | - | - | - | - | - |
| Doug Fant | - | - | - | - | - | - |
| George Horvath | - | - | - | - | - | - |
| Billy Willey | - | - | - | - | - | - |
| Total KMP | 1,081,993 | - | - | - | - | 1,081,993 |

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



Roger C Davey
Director
Melbourne 29th September 2016

**ENVIROMISSION LIMITED ABN: 52 094 963 238 AND CONTROLLED ENTITIES
CORPORATE GOVERNANCE STATEMENT**

The Board of directors of the Company have adopted the following set of principles for the corporate governance of the Company. These principles establish the framework of how the Board carries out its duties and obligations on behalf of the shareholders.

The ASX Listing Rules require listed companies to include in their annual report a statement disclosing the extent to which they have complied with the ASX Best Practice Recommendations in the reporting period. The recommendations are not prescriptive so that if a company considers that a recommendation is inappropriate having regard to its particular circumstances, the company has the flexibility not to follow it. Where a company has not followed all the recommendations, the annual report must identify which recommendations have not been followed and give reasons for not following them.

The Company has complied with the ASX Best Practice Recommendations except for the circumstances included on [pages 10-11](#) which sets out the ASX Best Practice Recommendations with which the Company has not complied in the reporting period.

Details of the Company's corporate governance practices in the relevant reporting period are set out on the following pages.

The Board of Directors

Role of the Board

The primary responsibilities of the board are set out in a written policy and include:

- the establishment of the long term goals of the Company and strategic plans to achieve those goals;
 - monitoring the achievement of those goals;
 - the review of management accounts and reports to monitor the progress of the Company;
 - the review and adoption of budgets for the financial performance of the Company and monitoring the results on a regular basis to assess
 - the review and approval of the annual and half-year financial reports;
 - nominating and monitoring the external auditor plus undertaking the duties that ordinarily would be assigned to an audit committee;
 - approving all significant business transactions;
 - appointing and monitoring senior management and performing the role of the remuneration committee;
 - all remuneration, development and succession issues; and
 - ensuring that the Company has implemented adequate systems of risk management and internal control together with appropriate monitoring of compliance activities.
- There are currently no written agreements with Directors setting out the terms of their appointment.

The Board evaluates this policy on an ongoing basis.

Board performance review

The performance of all directors is assessed through review by the board as a whole of a director's attendance at and involvement in board meetings, their performance and other matters identified by the board or other directors. Significant issues are actioned by the board. Due to the board's assessment of the effectiveness of these processes, the board has not otherwise formalised measures of a director's performance.

The Company has not conducted a performance evaluation of the members of the board during the reporting period; however the board conducts a review of the performance of the Company against its objectives on an ongoing basis.

Board composition

The Directors' Report contains details of the directors' skill, experience and education as set out on [page 2](#). The Board seeks to establish a Board that consists of directors with an appropriate range of experience, skill, knowledge and vision to enable it to operate the Company's business with excellence. To maintain this, the Company's policy is that executive directors should serve at least 3 years. At the completion of the first 3 years, the position of the director is reviewed to ascertain if circumstances warrant a further term.

At 30 June 2016, the board comprises an executive Chairman, one non independent non-executive director and one independent non-executive director.

The board is primarily responsible for identifying potential new directors but has the option to use an external consulting firm to identify and approach possible new candidates for directorship. The selection of the directors must be approved by the majority of the shareholders at the next AGM or EGM called by the Company immediately following their appointment.

Retirement and re-election of directors

The Constitution of the Company requires directors, to retire from office after serving three years service. Directors who have been appointed by the Board during the year are required to retire from office at the next Annual General Meeting. Retiring directors are eligible for re-election by shareholders.

Independence of directors

The board has reviewed the position and association of each of the three directors in office at the date of this report and considers that one of the directors is independent. In considering whether a director is independent, the board has regard to the independence criteria in ASX Best Practice Recommendations Principle 2 and other facts, information and circumstances that the board considers relevant. The board assesses the independence of new directors upon appointment and reviews their independence, and the independence of the other directors, as appropriate.

The board considers that Mr Galbally meets the criteria in Principle 2. Mr Galbally has no material business or contractual relationship with the Company, other than as a director, and no conflicts of interest which could interfere with the exercise of independent judgement. Accordingly, he is considered to be independent. Mr Davey and Mr Draffin are directors of a company contracted to provide services to the Company and as such are not considered independent.

Independent professional advice

With the prior approval of the Chairman, each director has the right to seek independent legal and other professional advice at the Company's expense concerning any aspect of the Company's operations or undertakings in order to fulfil their duties and responsibilities as directors.

Directors' remuneration

Details of the Company's remuneration policies are included in the "Remuneration Report" section of the Directors' Report.

Non-executive directors may be remunerated by cash benefits alone and will not be provided with retirement benefits (except in exceptional circumstances). Executive directors may be remunerated by fixed remuneration and no termination payments will be agreed other than a reasonable period of notice of termination as detailed in the executive's employment contract. Remuneration is not determined by individual performance.

Ethical Standards

In pursuit of the highest ethical standards, the Company has adopted a Code of Conduct which establishes the standards of behaviour required of directors and employees in the conduct of the Company's affairs. This Code is provided to all directors and employees. The board monitors implementation of this Code. Unethical behaviour is to be reported to the Company's Chairman as soon as practicable.

The Code of Conduct is based on respect for the law, and acting accordingly, dealing with conflicts of interest appropriately, using the Consolidated Groups assets responsibly and in the best interests of the Company, acting with integrity, being fair and honest in dealings, treating other people with dignity and being responsible for actions and accountable for the consequences. The Company's Code of Conduct is available on the Company's website.

Trading in the Company's securities by directors and employees of the Company

The Board has adopted a policy in relation to dealings in the securities of the Company which applies to all directors and employees. Under the policy, directors are prohibited from short term or "active" trading in the Company's securities and directors and employees are prohibited from dealing in the Company's securities whilst in possession of price sensitive information. The Company's Chairman must also be notified of any proposed transaction.

This policy is provided to all directors and employees. Compliance with it is reviewed on an ongoing basis in accordance with the Company's risk management systems.

Audit Committee

Having regard to the number of members currently comprising the Company's board, the board does not consider it appropriate to delegate these responsibilities to a sub-committee of the board, however meetings are held regularly during the year between Mr Andrew Draffin, and the Company's auditor to discuss the Company's ongoing activities and to discuss any proposed changes prior to their implementation and to seek advice in relation thereto.

The audit will be rotated as is statutorily required, and the selection of auditor will be based upon industry experience, cost effectiveness and overall potential to provide pro-active assistance to the Company within the bounds of auditor independence requirements.

Continuous Disclosure

The Company has in place a continuous disclosure policy, a copy of which is provided to all Company officers and employees who may from time to time be in the possession of undisclosed information that may be material to the price or value of the Company's securities.

The continuous disclosure policy aims to ensure timely compliance with the Company's continuous disclosure obligations under the Corporations Act 2001 and ASX Listing Rules and ensure officers and employees of the Company understand these obligations.

The procedure adopted by the Company is essentially that any information which may need to be disclosed must be brought to the attention of the Chairman, who in consultation with the board (where practicable) and any other appropriate personnel, will consider the information and whether disclosure is required and prepare an appropriate announcement.

At least once in every 12 month period, the board will review the Company's compliance with this continuous disclosure policy and update it from time to time, if necessary.

Shareholders

The board aims to ensure that shareholders are kept informed of all major developments affecting the Company. Information is communicated to shareholders as follows:

- as the Company is a disclosing entity, regular announcements are made to the Australian Securities Exchange in accordance with the Company's continuous disclosure policy, including half-year reviewed accounts, year end audited accounts and an annual report;
- the board ensures the annual report includes relevant information about the operations of the Company during the year, changes in the state of affairs and details of future developments;
- shareholders are advised in writing of key issues affecting the Company by effective use of the Company's share registry;
- any proposed major changes in the Company's affairs are submitted to a vote of shareholders, as required by the Corporations Act 2001;
- the board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and identification of the Company's strategies and goals. All shareholders who are unable to attend these meetings are encouraged to communicate or ask questions by writing to the Company; and
- the external auditor is required to attend the Annual General Meeting to answer any questions concerning the audit and the content of the auditor's report.

The Board reviews this policy and the compliance with it on an ongoing basis.

Managing Business Risk

The Consolidated Group maintains policies and practices designed to identify and manage significant business risks, including:

- regular financial reporting;
- procedures and controls to manage financial exposures and operational risks;
- the Company's business plan;
- corporate strategy guidelines and procedures to review and approve the Company's strategic plans; and
- insurance and risk management programmes which are reviewed by the board.

The board reviews these systems and the effectiveness of their implementation annually and considers the management of risk at its meetings. The Company's risk profile is reviewed annually. The board may consult with the Company's external auditor on external risk matters or other appropriately qualified external consultants on risk generally, as required.

The board receives regular reports about the financial condition and operating results of the Consolidated Group. The Board believes that:

- the Company's financial reports present a true and fair view of the Company's financial condition and operational results and are in accordance with relevant accounting standards; and
- the Company's risk management and internal control systems are sound, appropriate and operating efficiently and effectively.

The Chief Executive Officer and the Chief Financial Officer have declared in writing to the board that the Company's financial reports are founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board.

The Company does not currently have a Risk Management Committee. The role of risk management is reviewed by the board on an ongoing basis and is satisfied that the risk management framework continues to be sound.

Internal controls

Procedures have been established by the board that are designed to safeguard the assets and interests of the Company, and to ensure the integrity of reporting. These include accounting, financial reporting and internal control policies and procedures. To achieve this, the board perform the following procedures:

- Ensure appropriate follow-up of significant audit findings and risk areas identified;
 - Review the scope of the external audit to align it with board requirements; and
 - Conduct a detailed review of the published accounts.
- The Company does not currently operate an internal audit function. The above processes surrounding risk management are relied on for internal control purposes.

Environmental Regulation

The Consolidated Group is not subject to any environmental regulations.

Diversity Policy

Diversity includes, but is not limited to, gender, age, ethnicity and cultural background. The company is committed to diversity and recognises the benefits arising from employee and board diversity and the importance of benefiting from all available talent. Accordingly, the company has established a diversity policy, which is available at www.enviromission.com.au.

This diversity policy outlines requirements for the Board to develop measurable objectives for achieving diversity, and annually assess both the objectives and the progress in achieving those objectives. Accordingly, the Board has developed the following objectives regarding gender diversity and aims to achieve these objectives as Director and senior executive positions become vacant and appropriately qualified candidates become available:

- Achieve a diverse and skilled workforce, leading to continuous improvement in the achievement of its corporate goals;
- The development of clear criteria on behavioural expectations in relation to promoting diversity;
- Create a work environment that values and utilises the contributions of employees with diverse backgrounds, experiences and perspectives;
- Ensure that personnel responsible for recruitment take into account diversity issues when considering vacancies; and
- Create awareness in all employees of their rights and responsibilities with regards to fairness, equity and respect for all aspects of diversity.

The Board believes that they have been successful in implementing these objectives throughout the Groups workforce.

The number of women employed by the Group and their employment classification is as follows:

| | 30-Jun-16 | | 30-Jun-15 | |
|----------------------------------|-----------|-----|-----------|-----|
| | No. | % | No. | % |
| Women on the Board | - | - | - | - |
| Women in senior management roles | 1 | 11% | 1 | 11% |
| Women employees in the company | 1 | 11% | 1 | 11% |

Compliance with ASX Corporate Governance Council Good Practice Recommendations

The table below outlines each of the ASX Best practice Recommendations and the Company's compliance with those recommendations. Where the Company has met the relevant recommendation during the reporting period, this is indicated by a "Yes" in the relevant column. Where the Company has not met or complied with a recommendation this is indicated by a "No" and an accompanying note explaining the reasons why the Company has not met the recommendation.

| | Description | Complied | Note |
|-------|--|----------|------|
| 1.1 | Formalise and disclose the functions reserved to the board and those delegated to senior executives. These functions are set out under <i>Role of the board</i> and <i>Role of management</i> in this statement. | Yes | |
| 1.2 | Disclose the process for evaluating the performance of senior executives | Yes | |
| 1.3 | Provide the information indicated in the Guide to reporting on Principle 1. | Yes | |
| 2.1 | A majority of the board should be independent directors. | No | 1 |
| 2.2 | The chairperson should be an independent director. | No | 2 |
| 2.3 | The roles of chairperson and chief executive officer should not be exercised by the same individual. | No | 3 |
| 2.4 | The board should establish a nomination committee. | No | 4 |
| 2.5 | Disclose the process for evaluating the performance of its board, committees and individual directors. | Yes | |
| 2.6 | Provide the information indicated in the Guide to reporting on Principle 2. | No | 5 |
| 3.1 | Establish a code of conduct to guide the directors, the chief executive officer (or equivalent) and any other key executives as to: | | |
| 3.1.1 | - the practices necessary to maintain confidence in the Company's integrity; | Yes | |
| 3.1.2 | - the practices necessary to take into account legal obligations and reasonable expectations of stakeholders; | Yes | |
| 3.1.3 | - the responsibilities and accountability of individuals for reporting and investigating reports of unethical practices. | Yes | |
| 3.2 | Establish and disclose the diversity policy of the Company. | Yes | |
| 3.3 | Establish and disclose the measurable objectives for achieving gender diversity and progress towards achieving those goals. | Yes | |
| 3.4 | Disclose the proportion of women employees in the organisation, in senior executive positions and on the board. | Yes | |
| 3.5 | Provide the information indicated in the Guide to reporting on Principle 3. | Yes | |
| 4.1 | The board should establish an audit committee. | No | 6 |
| 4.2 | Structure the audit committee so that it consists of: - only non-executive directors - a majority of independent directors - an independent chairperson, who is not chairperson of the board - at least three members | No | 7 |
| 4.3 | The audit committee should have a formal charter. | No | 8 |
| 4.4 | Provide the information indicated in the Guide to reporting on Principle 4. | No | 9 |
| 5.1 | Establish and disclose written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements to ensure accountability at a senior executive level for that compliance. | Yes | |
| 5.2 | Provide the information indicated in the Guide to reporting on Principle 5. | Yes | |
| 6.1 | Design and disclose a communication strategy to promote effective communication with the shareholders and encourage effective participation at general meetings - refer to <i>Continuous disclosure and shareholder communication</i> as set out above. | Yes | |
| 6.2 | Provide the information indicated in the Guide to reporting on Principle 6. | Yes | |
| 7.1 | Establish and disclose policies for oversight and management of material business risks. | Yes | |
| 7.2 | Design and implement risk management and internal control systems to manage and report on material business risks. Disclose reporting as to effectiveness of management of material business risks. | Yes | |
| 7.3 | Disclose whether the board as received assurance from the chief executive officer and chief financial officer that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks. | Yes | |
| 7.4 | Provide the information indicated in the Guide to reporting on Principle 7. | Yes | |
| 8.1 | Establish a remuneration committee. | | |
| 8.2 | Structure the remuneration committee so that it consists of: - a majority of independent directors - an independent chairperson - at least three members | No | 10 |
| 8.3 | Clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives. | | |
| 8.4 | Provide the information indicated in the Guide to reporting on Principle 8. | No | 11 |

The Company complies with all of the ASX Corporate Governance Principles and Recommendations with the following exceptions:

1 *Recommendation 2.1: The majority of the board should be independent directors.*

Of the three directors only one is considered independent. The board considers that Mr Galbally meets the criteria in Principle 2. Mr Galbally has no material business or contractual relationship with the Company, other than as a director, and no conflicts of interest which could interfere with the exercise of independent judgement. Accordingly, he is considered to be independent. Mr Davey and Mr Draffin are directors of a company contracted to provide services to the Company and as such are not considered independent.

2 *Recommendation 2.2: The Chairman should be an independent director.*

The Chairman is a major shareholder of the company and hence is not considered independent. The Board will look to appoint an independent Chairman when a suitable candidate becomes available.

3 *Recommendation 2.3: The roles of the chairman and chief executive officer should not be exercised by the same individual.*

The role of the chief executive officer is held by Mr Davey who is also the chairman, notwithstanding the Board will look to appoint an independent Chairman when a suitable candidate becomes available.

4 *Recommendation 2.4: The board should establish a Nomination Committee.*

The functions to be performed by a nomination committee under the ASX Best Practice Recommendations are currently performed by the full Board and this is reflected in the written policy setting out the responsibilities of the Board. Having regard to the number of members currently comprising the Company's Board, the Board does not consider it appropriate to delegate these responsibilities to a sub-committee. These arrangements will be reviewed periodically by the board to ensure that they continue to be appropriate to the Company's circumstances.

5 *Recommendation 2.6: The Company should provide the information indicated in the Guide to reporting on Principle 2*

One of the matters to be included in the corporate governance section of the annual report pursuant to the *Guide to reporting on Principle 2* is "the names of members of the nomination committee and their attendance at meetings of the committee". As stated in the previous paragraph, the Board does not consider it appropriate for the Company to establish a nomination committee and therefore this information has not been included in the annual report or otherwise made publicly available. In all other respects, the Company has complied with the disclosure requirements contained in the *Guide to reporting on Principle 2* by the inclusion of information in this statement, but has not otherwise made the information publicly available.

6 *Recommendation 4.1: The Board should establish an Audit Committee.*

The functions to be performed by an audit committee under the ASX Best Practice Recommendations are currently performed by the full Board and this is reflected in the written policy setting out the responsibilities of the Board. Having regard to the number of members currently comprising the Company's Board, the Board does not consider it appropriate to delegate these responsibilities to a sub-committee of the Board, however meetings are held between senior management and the auditor regularly during the year to discuss the Company's ongoing activities and to discuss any proposed changes prior to their implementation and to seek advice in relation thereto.

7 *Recommendation 4.2: Structure of the Audit Committee so that it consists of:*

- only Non-Executive Directors;
- a majority of Independent Directors;
- an independent Chairperson, who is not chairman of the board;
- at least three members.

As mentioned under Recommendation 4.1, the Board does not consider it appropriate for the Company to establish a sub-committee of the board, therefore the structuring requirements of the Audit Committee are not applicable.

8 *Recommendation 4.3: The Audit Committee should have a formal charter.*

As stated above, the functions to be performed by an audit committee under the ASX Best Practice Recommendations are currently performed by the full Board and this is reflected in the written policy setting out the responsibilities of the Board. Having regard to the number of members currently comprising the Company's Board, the Board does not consider it appropriate to delegate these responsibilities to a sub-committee of the Board, however meetings are held between senior management and the auditor regularly during the year to discuss the Company's ongoing activities and to discuss any proposed changes prior to their implementation and to seek advice in relation thereto. In doing so, the Board also adheres to the Company's Code of Conduct and procedures to ensure independent judgement in decision making, as set out in relation to ASX Best Practice Recommendation 2.1. These arrangements will be reviewed periodically by the Board to ensure that they continue to be appropriate to the Company's circumstances.

9 *Recommendation 4.4: Provide the information indicated in "Guide to reporting on Principle 4".*

The *Guide to reporting on Principle 4* requires that the corporate governance section of the annual report include "details of the names and qualifications of those appointed to the audit committee". As stated in the previous paragraph, the Board does not consider it appropriate for the Company to establish an audit committee and therefore this information has not been included in the annual report. However as the Board fulfils the role of the audit committee, details of the Company's directors and their attendance at Board meetings are set out in the Company's annual report. In all other respects, the Company has complied with the disclosure requirements contained in the "Guide to reporting on Principle 4".

10 *Recommendation 8.1: The Board should establish a Remuneration Committee.*

The functions to be performed by a remuneration committee under the ASX Best Practice Recommendations are currently performed by the full board and this is reflected in the written policy setting out the responsibilities of the Board. Having regard to the number of members currently comprising the Company's board, the Board does not consider it appropriate to delegate these responsibilities to a sub-committee. These arrangements will be reviewed periodically by the Board to ensure that they continue to be appropriate to the Company's circumstances.

11 *Recommendation 8.4: Provide the information indicated in "Guide to reporting on Principle 8".*

One of the matters to be included in the corporate governance section of the annual report pursuant to the *Guide to reporting on Principle 8* is "the names of members of the remuneration committee and their attendance at meetings of the committee". As stated in the previous paragraph, the Board does not consider it appropriate for the Company to establish a remuneration committee and therefore this information has not been included in the annual report. However as the board fulfils the role of the remuneration committee, details of the Company's directors and their attendance at board meetings are set out in the Company's annual report. In all other respects, the Company has complied with the disclosure requirements contained in the "Guide to reporting on Principle 8".

**AUDITOR'S INDEPENDENCE DECLARATION
UNDER S 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF ENVIROMISSION LIMITED**

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2016 there have been no contraventions of:

- i. the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- ii. any applicable code of professional conduct in relation to the audit.

MSI Ragg Weir

MSI RAGG WEIR
Chartered Accountants

L.S. Wong

L.S.WONG
Partner

Melbourne: 29 September 2016

ENVIROMISSION LIMITED ABN: 52 094 963 238
AND CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2016

| | | Consolidated Group | |
|---|-------------|---------------------------|-------------|
| | Note | 2016 | 2015 |
| | | \$ | \$ |
| Continuing operations | | | |
| Revenue | 3 | 452,217 | 515,680 |
| Other income | 3 | - | - |
| Employee benefits expense | | (144,517) | (105,537) |
| Contracting & consulting costs | | (1,097,633) | (1,242,382) |
| Corporate costs | | (296,336) | (330,508) |
| Occupancy costs | | (112,916) | (115,454) |
| Travel costs | | (17,012) | (3,045) |
| Administrative expenses from ordinary activities | | (256,588) | (240,235) |
| Audit Fees | | (36,000) | (35,250) |
| Depreciation and amortisation expense | | (11,904) | (11,018) |
| Finance costs | | (439) | - |
| Loss before income tax | 4 | (1,521,128) | (1,567,749) |
| Income tax expense | 5 | - | - |
| Loss after income tax | | (1,521,128) | (1,567,749) |
| Other comprehensive income: | | | |
| Items that will not be reclassified subsequently to profit or loss: | | | |
| Exchange difference on translating foreign controlled entities | | (37,251) | (87,811) |
| Items that will be reclassified subsequently to profit or loss when specific conditions are met: | | - | - |
| Other comprehensive income for the year, net of tax | | (37,251) | (87,811) |
| Total comprehensive income for the year | | (1,558,379) | (1,655,560) |
| Net profit attributable to: | | | |
| Members of the parent entity | | (1,521,128) | (1,567,749) |
| Non-controlling interest | | - | - |
| | | (1,521,128) | (1,567,749) |
| Total comprehensive income attributable to: | | | |
| Members of the parent entity | | (37,251) | (87,811) |
| Non-controlling interest | | - | - |
| | | (37,251) | (87,811) |
| Earnings per share | | | |
| Basic earnings per share (cents) | 9 | (0.27) | (0.29) |

The accompany notes form part of these financial statements

ENVIROMISSION LIMITED ABN: 52 094 963 238
AND CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2016

| | | Consolidated Group | |
|--------------------------------------|-------------|---------------------------|------------------|
| | | 2016 | 2015 |
| | Note | \$ | \$ |
| ASSETS | | | |
| CURRENT ASSETS | | | |
| Cash and cash equivalents | 10 | 92,488 | 609,150 |
| Trade and other receivables | 11 | 1,083,740 | 1,324,799 |
| TOTAL CURRENT ASSETS | | 1,176,228 | 1,933,949 |
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 13 | 46,878 | 56,773 |
| Intangible assets | 14 | 1,174,253 | 1,166,508 |
| Other non-current assets | 15 | 16,451 | 16,412 |
| TOTAL NON-CURRENT ASSETS | | 1,237,582 | 1,239,693 |
| TOTAL ASSETS | | 2,413,810 | 3,173,642 |
| LIABILITIES | | | |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 16 | 948,005 | 1,537,596 |
| Deferred income | 17 | 1,065,078 | 1,306,267 |
| Borrowings | 18 | 100,438 | - |
| Provisions | 19 | 32,555 | - |
| TOTAL CURRENT LIABILITIES | | 2,146,076 | 2,843,863 |
| NON-CURRENT LIABILITIES | | | |
| Trade and other payables | 16 | 1,375 | 1,332 |
| Borrowings | 18 | 44,678 | 55,386 |
| TOTAL NON-CURRENT LIABILITIES | | 46,053 | 56,718 |
| TOTAL LIABILITIES | | 2,192,129 | 2,900,581 |
| NET ASSETS | | 221,681 | 273,061 |
| EQUITY | | | |
| Issued capital | 20 | 40,939,555 | 39,432,556 |
| Reserves | 27 | 279,600 | 316,851 |
| Retained earnings | | (40,997,474) | (39,476,346) |
| Parent interest | | 221,681 | 273,061 |
| Non-controlling interest | | - | - |
| TOTAL EQUITY | | 221,681 | 273,061 |

The accompanying notes form of these financial statements

ENVIROMISSION LIMITED ABN: 52 094 963 238
AND CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2016

| | Ordinary Share Capital | Accumulated Losses | Foreign Currency Translation Reserve | Total |
|---|---------------------------------------|-------------------------------|---|----------------|
| | \$ | \$ | \$ | \$ |
| Consolidated Group | | | | |
| Balance at 1 July 2014 | 37,862,172 | (37,908,598) | 404,662 | 358,236 |
| Shares issued during the year | 1,570,384 | - | - | 1,570,384 |
| Loss attributable to members of parent entity | - | (1,567,749) | - | (1,567,749) |
| Other comprehensive income for the year | - | - | (87,811) | (87,811) |
| Balance at 30 June 2015 | <u>39,432,556</u> | <u>(39,476,346)</u> | <u>316,851</u> | <u>273,061</u> |
| Balance at 1 July 2015 | 39,432,556 | (39,476,346) | 316,851 | 273,061 |
| Shares issued during the year | 1,506,999 | - | - | 1,506,999 |
| Loss attributable to members of parent entity | - | (1,521,128) | - | (1,521,128) |
| Other comprehensive income for the year | - | - | (37,251) | (37,251) |
| Balance at 30 June 2016 | <u>40,939,555</u> | <u>(40,997,474)</u> | <u>279,600</u> | <u>221,681</u> |

The accompanying notes form part of these financial statements

ENVIROMISSION LIMITED ABN: 52 094 963 238
AND CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2016

| | Consolidated Group | |
|---|---------------------------|-----------------------|
| Note | 2016 | 2015 |
| | \$ | \$ |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Interest received | 274 | 2,327 |
| Development fees received | 293,449 | 313,932 |
| Payments to suppliers and employees | (1,819,798) | (1,963,220) |
| Interest paid | (1) | - |
| Net cash provided by (used in) operating activities | 23a <u>(1,526,076)</u> | <u>(1,646,961)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Proceeds from sale of investments | - | - |
| Payments for intangible assets | - | - |
| Payment for property, plant and equipment | - | - |
| Net cash provided by (used in) investing activities | <u>-</u> | <u>-</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from issue of shares | 1,007,000 | 1,126,636 |
| Proceeds from borrowings | 100,000 | - |
| Repayment of borrowings | (12,709) | (11,056) |
| Net cash provided by (used in) financing activities | <u>1,094,291</u> | <u>1,115,580</u> |
| Net increase in cash held | (431,785) | (531,381) |
| Cash and cash equivalents at beginning of financial year | 609,150 | 972,549 |
| Effect of exchange rates on cash holdings in foreign currencies | (84,877) | 167,982 |
| Cash and cash equivalents at end of financial year | 10 <u><u>92,488</u></u> | <u><u>609,150</u></u> |

The accompanying notes form part of these financial statements

**ENVIROMISSION LIMITED ABN: 52 094 963 238
AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

These consolidated financial statements and notes represent those of EnviroMission Limited and Controlled Entities (the "consolidated group" or "group").

The separate financial statements of the parent entity, EnviroMission Limited, have not been presented within this financial report as permitted by the Corporations Act 2001.

The financial statements were authorised for issue on 30 September 2016 by the directors of the company.

Note 1 Summary of Significant Accounting Policies

Basis of Preparation

These general purpose financial statements have been prepared in accordance with the Corporations Act 2001, Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board and International Financial Reporting Standards as issued by the International Accounting Standards Board. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

Except for cash flow information, the financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

(a) Principles of Consolidation

The consolidated financial statements incorporate all of the assets, liabilities and results of the EnviroMission Limited and all of the subsidiaries (including any structured entities). Subsidiaries are entities the Parent controls. The Parent controls an entity when it is exposed to, 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. A list of the subsidiaries is provided in Note 12.

The assets, liabilities and results of all subsidiaries are fully consolidated into the financial statements of the Group from the date on which control is obtained by the Group. The consolidation of a subsidiary is discontinued from the date that control ceases. Inter-company transactions, balances and unrealised gains or losses on transactions between Group entities are fully eliminated on consolidation. Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the Group.

Equity interests in a subsidiary not attributable, directly or indirectly, to the Group are presented as 'Non-controlling Interests'. The Group initially recognises non-controlling interests that are present ownership interests in subsidiaries and are entitled to a proportionate share of the subsidiary's net assets on liquidation at either fair value or at the non-controlling interests' proportionate share of the subsidiary's net assets. Subsequent to initial recognition, non-controlling interests are attributed their share of profit or loss and each component of other comprehensive income. Non-controlling interests are shown separately within the equity section of the statement of financial position and statement of comprehensive income.

(b) Income Tax

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

Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities/ (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

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

Current and deferred income tax expense (income) is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss.

Except for business combinations, no deferred income tax is recognised from the initial recognition of an asset or liability, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability. With respect to non-depreciable items of property, plant and equipment measured at fair value and items of investment property measured at fair value, the related deferred tax liability or deferred tax asset is measured on the basis that the carrying amount of the asset will be recovered entirely through sale.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

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

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

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(c) Fair Value of Assets and Liabilities

The Group applied AASB 13: Fair Value Measurement. It provides a guidance and disclosure about fair value measurement.

Fair value is a market-based measurement. The objective of fair value measurement is to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market condition. Other than the disclosure, the application of AASB 13 does not have any material impact on the amounts recognised in the consolidated financial statements.

(d) Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

Property, Plant and Equipment

Plant and equipment are measured on the cost basis and therefore carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised either in profit or loss or as a revaluation decrease if the impairment losses relate to a revalued asset. A formal assessment of recoverable amount is made when impairment indicators are present (refer to Note 1(g) for details of impairment).

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

The cost of fixed assets constructed within the consolidated group includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

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

Depreciation

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

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

| Class of Fixed Asset | Depreciation Rate |
|-----------------------------|--------------------------|
| Plant and equipment | 25% |
| Motor Vehicle | 15% |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

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

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are recognised in profit or loss in the period in which they arise. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

(e) 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

The minimum lease payment of operating leases, where the lesser effectively retains substantially all of the risks and benefits of ownership of the leased item, are recognised as an expense on a straight line basis. Contingent rentals are recognised as an expense in the financial year in which they are incurred.

Finance Leases

Leases which effectively transfer substantially the entire risks and benefits incidental to ownership of the leased item to the Group are capitalised at the present value of the minimum lease payments and disclosed as property, plant and equipment under lease. A lease liability of equal value is also recognised. The consolidated entity has no finance leases as at 30 June 2016.

(f) Financial Instruments

Recognition and Initial Measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the entity commits itself to either the purchase or sale of the asset (ie trade date accounting is adopted).

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Financial instruments are initially measured at fair value plus transactions costs except where the instrument is classified 'at fair value through profit or loss' in which case transaction costs are expensed to profit or loss immediately.

Classification and Subsequent Measurement

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest method, or cost.

Amortised cost is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

The *effective interest method* is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) over the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying amount with a consequential recognition of an income or expense item in profit or loss.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

(ii) Financial Liabilities

Non-derivative financial liabilities other than financial guarantees are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

Impairment

A financial asset (or a group of financial assets) is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a "loss event") having occurred, which has an impact on the estimated future cash flows of the financial asset(s).

In the case of available-for-sale financial assets, a significant or prolonged decline in the market value of the instrument is considered to constitute a loss event. Impairment losses are recognised in profit or loss immediately. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified into profit or loss at this point.

In the case of financial assets carried at amortised cost, loss events may include: indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments; indications that they will enter bankruptcy or other financial reorganisation; and changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortised cost (including loans and receivables), a separate allowance account is used to reduce the carrying amount of financial assets impaired by credit losses. After having taken all possible measures of recovery, if management establishes that the carrying amount cannot be recovered by any means, at that point the written-off amounts are charged to the allowance account or the carrying amount of impaired financial assets is reduced directly if no impairment amount was previously recognised in the allowance account.

When the terms of financial assets that would otherwise have been past due or impaired have been renegotiated, the Group recognises the impairment for such financial assets by taking into account the original terms as if the terms have not been renegotiated so that the loss events that have occurred are duly considered.

Derecognition

Financial assets are derecognised when the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised when the related obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

(g) Impairment of Assets

At the end of each reporting period, the Group assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information, including dividends received from subsidiaries, associates or joint ventures deemed to be out of pre-acquisition profits. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs of disposal and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard (eg in accordance with the revaluation model in AASB 116: *Property, Plant and Equipment*). Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

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

Impairment testing is performed annually for goodwill, intangible assets with indefinite lives and intangible assets not yet available for use.

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(h) Intangibles Other than Goodwill

Trademarks & Licences

Trademarks and licences are recognised at cost of acquisition. Trademarks and licences have a finite life and are carried at cost less any accumulated amortisation and any impairment losses. Trademarks and licences have an indefinite useful life at the present.

Research and development

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

The Company has adopted a policy whereby it will capitalise all costs directly attributable to the Development of the La Paz Solar Tower technology in Arizona. The development phase of the La Paz Solar Power Tower was reached in conjunction with the agreement reached with the Southern California Public Power Authority (SCPPA) therefore expenditure incurred after this date will be capitalised in line with the company's policy notwithstanding that the agreement with SCPPA has subsequently been terminated via mutual consent. The ability of the Company to now freely deal with independent power utilities provides for a realistic opportunity of greater returns and therefore potential future economic benefits can be measured. The Intangible Asset created will be subject to continual impairment testing in accordance with AASB 136.

The value of the Intellectual Property and licences is dependent on the ability of the Company to generate income from the asset. No income has been earned from these assets to 30 June 2016 given that they are in the development stage. Given the ongoing negotiations and interest expressed by invested parties, the company are of the opinion that the project will deliver future economic benefit.

(i) Foreign Currency Transactions and Balances

Functional and presentation currency

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

Transaction and balances

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

Exchange differences arising on the translation of monetary items are recognised in profit or loss, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in other comprehensive income to the extent that the underlying gain or loss is recognised in other comprehensive income, otherwise the exchange difference is recognised in the profit or loss.

Group companies

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

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

Exchange differences arising on translation of foreign operations with functional currencies other than Australian dollars are recognised in other comprehensive income and included in the foreign currency translation reserve in the statement of financial position. The cumulative amount of these differences is reclassified into profit or loss in the period in which the operation is disposed of.

(j) Employee Benefits

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled.

Short-term employee benefits

Provision is made for the Group's obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

Equity-settled compensation

The Group operates an employee share and option plan. Share-based payments to employees are measured at the fair value of the instruments issued and amortised over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the option reserve. The fair value of options is determined using the Black-Scholes pricing model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognised for services received as consideration for the equity instruments granted is based on the number of equity instruments that eventually vest.

(k) Provisions

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

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

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(l) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments and bank overdrafts.

(m) Revenue and Other Income

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. When the inflow of consideration is deferred it is treated as the provision of financing and is discounted at a rate of interest that is generally accepted in the market for similar arrangements. The difference between the amount initially recognised and the amount ultimately received is interest revenue.

Development fee revenue is brought to account on receipt of each instalment. The total amount due and payable has been brought to account as a receivable and deferred income (Note 1(t)(i)), only amounts received are recognised as income in the Company's income statement.

Interest revenue is recognised using the effective interest method.

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

(n) Trade and Other Receivables

Trade and other receivables include amounts due from customers for goods sold and services performed in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Refer to Note 1(t) for further discussion on the determination of impairment losses.

(o) Trade and Other Payables

Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the consolidated entity. Payables to related parties are carried at the principal amount. Interest, when charged by the lender, is recognised as an expense on an accrual basis.

(p) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

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

(q) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

(r) Going Concern

The financial statements have been prepared on a going concern basis. The Company's present activities will be funded by existing working capital and by placements and new shares issued to sophisticated investors utilising the relevant exemptions granted under ASX Listing Rules. The Company is also in on-going discussions in addition to the Texas agreement, to grant development rights to develop Solar Towers in other jurisdictions both outside and within the United States of America. Development rights will not be granted until the prospective recipient can demonstrate an ability to secure a Power Purchase Agreement with a major power utility operating in their jurisdiction and the ability to finance the project at a minimum to a pre-feasibility stage. It is proposed that on the successful demonstration of these criteria that the company will receive a significant fee for granting development rights and an equity position in the successful recipients project with an ongoing annual licence fee also payable to the Company, all of which will be determined on a case by case basis. Any grant of development rights will be contingent on the prospective developer utilising the current Project Team formed by the Company to manage its La Paz Solar Tower project in order to protect the integrity of the intellectual Property held by EnviroMission. The Company will maintain a net asset position in the event that it successfully grants development rights as outlined above.

The transaction as described in the Events Subsequent to Balance Date should also be considered as relevant to the Group continuing as a going concern.

(s) Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to confirm to changes in presentation for the current financial year.

Where the Group retrospectively applies an accounting policy, makes a retrospective restatement or reclassifies items in its financial statements, an additional (third) statement of financial position as at the beginning of the preceding period in addition to the minimum comparative financial statement is presented.

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(t) Critical Accounting Estimates and Judgements

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

Key Estimates

(i) Impairment - General

The Group assesses impairment at the end of each reporting period by evaluating conditions and events specific to the Group that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions.

Key Judgements

(i) Provision for Impairment of Receivables

Included in trade receivables at the end of the reporting period, is the amount receivable from a Texas based developer for development right fees. The initial payment terms as outlined in the Heads of Agreement between the relevant parties was 30 September 2013. However, a mutually acceptable revised time table was set whereby the full amount will be received by 31 December 2016, in regular instalments. Revenue on development right is brought to account as and when it is received. The balance of the receivable is recorded as deferred income until received.

(u) New Accounting Standards for Application in Future Periods

Accounting Standards issued by the AASB that are not yet mandatorily applicable to the Group, together with an assessment of the potential impact of such pronouncements on the Group when adopted in future periods, are discussed below:

— AASB 9: *Financial Instruments* and associated Amending Standards (applicable to annual reporting periods beginning on or after 1 January 2018).

The Standard will be applicable retrospectively (subject to the provisions on hedge accounting outlined below) and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

The key changes that may affect the Group on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, upfront accounting for expected credit loss, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. AASB 9 also introduces a new model for hedge accounting that will allow greater flexibility in the ability to hedge risk, particularly with respect to hedges of non-financial items. Should the entity elect to change its hedge policies in line with the new hedge accounting requirements of the Standard, the application of such accounting would be largely prospective.

Although the directors anticipate that the adoption of AASB 9 may have an impact on the Group's financial instruments, including hedging activity, it is impracticable at this stage to provide a reasonable estimate of such impact.

— AASB 15: *Revenue from Contracts with Customers* (applicable to annual reporting periods beginning on or after 1 January 2018, as deferred by AASB 2015-8: *Amendments to Australian Accounting Standards – Effective Date of AASB 15*).

When effective, this Standard will replace the current accounting requirements applicable to revenue with a single, principles-based model. Except for a limited number of exceptions, including leases, the new revenue model in AASB 15 will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers. The core principle of the Standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services. To achieve this objective, AASB 15 provides the following five-step process:

- identify the contract(s) with a customer;
- identify the performance obligations in the contract(s);
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract(s); and
- recognise revenue when (or as) the performance obligations are satisfied.

The transitional provisions of this Standard permit an entity to either: restate the contracts that existed in each prior period presented per AASB 108: *Accounting Policies, Changes in Accounting Estimates and Errors* (subject to certain practical expedients in AASB 15); or recognise the cumulative effect of retrospective application to incomplete contracts on the date of initial application. There are also enhanced disclosure requirements regarding revenue.

Although the directors anticipate that the adoption of AASB 15 may have an impact on the Group's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

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- AASB 16: Leases (applicable to annual reporting periods beginning on or after 1 January 2019).
When effective, this Standard will replace the current accounting requirements applicable to leases in AASB 117: Leases and related Interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases.

The main changes introduced by the new Standard include:

- recognition of a right-to-use asset and liability for all leases (excluding short-term leases with less than 12 months of tenure and leases relating to low-value assets);
- depreciation of right-to-use assets in line with AASB 116: Property, Plant and Equipment in profit or loss and unwinding of the liability in principal and interest components;
- variable lease payments that depend on an index or a rate are included in the initial measurement of the lease liability using the index or rate at the commencement date;
- by applying a practical expedient, a lessee is permitted to elect not to separate non-lease components and instead account for all components as a lease; and
- additional disclosure requirements.

The transitional provisions of AASB 16 allow a lessee to either retrospectively apply the Standard to comparatives in line with AASB 108 or recognise the cumulative effect of retrospective application as an adjustment to opening equity on the date of initial application.

Although the directors anticipate that the adoption of AASB 16 will impact the Group's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

- AASB 2014-3: *Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations* (applicable to annual reporting periods beginning on or after 1 January 2016).
This Standard amends AASB 11: Joint Arrangements to require the acquirer of an interest (both initial and additional) in a joint operation in which the activity constitutes a business, as defined in AASB 3: Business Combinations, to apply all of the principles on business combinations accounting in AASB 3 and other Australian Accounting Standards except for those principles that conflict with the guidance in AASB 11; and disclose the information required by AASB 3 and other Australian Accounting Standards for business combinations.

The application of AASB 2014-3 will result in a change in accounting policies for the above described transactions, which were previously accounted for as acquisitions of assets rather than applying the acquisition method per AASB 3.

The transitional provisions require that the Standard should be applied prospectively to acquisitions of interests in joint operations occurring on or after 1 January 2016. As at 30 June 2016, management is not aware of the existence of any such arrangements that would impact the financial statements of the entity going forward and as such is not capable of providing a reasonable estimate at this stage of the impact on initial application of AASB 2014-3.

- AASB 2014-10: *Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (applicable to annual reporting periods beginning on or after 1 January 2018, as deferred by AASB 2015-10: *Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128*).

This Standard amends AASB 10: *Consolidated Financial Statements* with regards to a parent losing control over a subsidiary that is not a "business" as defined in AASB 3 to an associate or joint venture, and requires that:

- a gain or loss (including any amounts in other comprehensive income (OCI)) be recognised only to the extent of the unrelated investor's interest in that associate or joint venture;
- the remaining gain or loss be eliminated against the carrying amount of the investment in that associate or joint venture; and
- any gain or loss from remeasuring the remaining investment in the former subsidiary at fair value also be recognised only to the extent of the unrelated investor's interest in the associate or joint venture. The remaining gain or loss should be eliminated against the carrying amount of the remaining investment.

The application of AASB 2014-10 will result in a change in accounting policies for transactions of loss of control over subsidiaries (involving an associate or joint venture) that are businesses per AASB 3 for which gains or losses were previously recognised only to the extent of the unrelated investor's interest.

The transitional provisions require that the Standard should be applied prospectively to sales or contributions of subsidiaries to associates or joint ventures occurring on or after 1 January 2018. Although the directors anticipate that the adoption of AASB 2014-10 may have an impact on the Group's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

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Note 2 Parent Information

| | 2016 \$ | 2015 \$ |
|---|------------------|------------------|
| The following information has been extracted from the books and records of the parent and has been prepared in accordance with Australian Accounting Standards. | | |
| STATEMENT OF FINANCIAL POSITION | | |
| ASSETS | | |
| Current Assets | 1,168,453 | 1,851,965 |
| Non-current Assets | 941,804 | 942,211 |
| TOTAL ASSETS | 2,110,257 | 2,794,176 |
| LIABILITIES | | |
| Current Liabilities | 1,644,960 | 2,210,692 |
| Non-current Liabilities | - | - |
| TOTAL LIABILITIES | 1,644,960 | 2,210,692 |
| NET ASSETS | 465,297 | 583,484 |
| EQUITY | | |
| Issued Capital | 40,939,555 | 39,432,555 |
| Accumulated losses | (40,474,258) | (38,849,071) |
| Parent Interest | 465,298 | 583,484 |
| Non-controlling interest | - | - |
| TOTAL EQUITY | 465,298 | 583,484 |
| STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME | | |
| Total Loss | (1,625,188) | (1,776,081) |
| Total comprehensive income | (1,625,188) | (1,776,081) |

Guarantees

EnviroMission Limited has not entered into any guarantees, in the current or previous financial year, in relation to the debts of its subsidiaries.

Contingent liabilities

There were no contingent liabilities as at 30 June 2016 (2015: nil) or to the date of this report.

Note 3 Revenue and Other Income

| | Note | Consolidated Group 2016 \$ | 2015 \$ |
|---|------|----------------------------------|----------------|
| (a) Revenue from continuing operations | | | |
| Revenue | | | |
| — Development right fees | | 293,472 | 493,570 |
| Other revenue | | | |
| — Interest received | | 314 | 2,410 |
| — Unrealised foreign exchange gain/(loss) | | 116 | 19,700 |
| — Realised foreign exchange gain/(loss) | | - | - |
| — Loan forgiven | | 158,315 | - |
| Total revenue | | 452,217 | 515,680 |
| Other income | | - | - |
| Total other income | | - | - |
| (i) Development right fees | | | |

As previously announced during May 2013, the Company entered into a Head of Agreement with a Texas based power development company whereby EnviroMission will grant development rights for solar tower development for the US State of Texas once a \$USD2,000,000 development fee has been received. At the date of this report \$USD1,210,000 has been received. The Company has recorded the outstanding development fee as at 30 June 2016 as an account receivable. However, it will only recognise the revenue as and when the instalments are received. The agreed deadline for receipt of the outstanding \$US790,000 is 31 December 2016.

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Note 4 Profit for the Year

| | Note | Consolidated Group | |
|---|-------|--------------------|---------|
| | | 2016 | 2015 |
| Loss before income tax from continuing operations includes the following specific expenses: | | \$ | \$ |
| (a) Expenses | | | |
| Interest expense on financial liabilities not at fair value through profit or loss: | | | |
| — Other persons | | 439 | - |
| Total finance cost | | 439 | - |
| Depreciation on property, plant & equipment | | 11,904 | 11,018 |
| Employee benefits expense | | 144,517 | 105,537 |
| Rental expense on operating leases | | | |
| — minimum lease payments | | 109,813 | 113,170 |
| (b) Significant Revenue and Expenses | | | |
| The following significant revenue and expense items are relevant in explaining the financial performance: | | | |
| Foreign currency translation gain | | 117 | 19,700 |
| Loan forgiven | | 158,315 | - |
| Development fees received | 3 (i) | 293,472 | 493,570 |

Note 5 Tax Expense

| | Consolidated Group | |
|---|--------------------|-----------|
| | 2016 | 2015 |
| | \$ | \$ |
| (a) The prima facie income tax expense on pre tax accounting loss reconciles to the income tax expense in the financial statement as follows: | | |
| Loss from continuing operations before income tax at 30% (2015: 30%) | (456,338) | (470,325) |
| Add: | | |
| Tax effect of : | | |
| — Non-deductible expenses | 580,403 | 239,047 |
| — Provision for doubtful debts | - | - |
| | 124,064 | (231,278) |
| Less: | | |
| Tax effect of: | | |
| — Non-assessable income | 312,965 | 400,810 |
| — Deductible black hole expenditure | - | 9,000 |
| — Other deductible expenses | 129,713 | 71,470 |
| — Income tax losses carried forward not taken up | (318,614) | (712,558) |
| Income tax expense | - | - |
| Future income tax benefits not brought to account as deferred tax assets | 9,365,010 | 9,046,396 |
| (b) Tax effects relating to each component of other comprehensive income: | | |

| | 2016 | | 2015 | | |
|---|-------------------|-----------------------|-------------------|-----------------------|-------------------|
| | Before-tax amount | Tax (expense) benefit | Before-tax amount | Tax (expense) benefit | Net-of-tax amount |
| | \$ | \$ | \$ | \$ | \$ |
| Consolidated Group | | | | | |
| Exchange differences on translating foreign controlled entities | 37,251 | - | 37,251 | 87,811 | 87,811 |
| | 37,251 | - | 37,251 | 87,811 | 87,811 |

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Note 6 Key Management Personnel Compensation

Refer to the Remuneration Report contained in the Directors' Report for details of the remuneration paid or payable to each member of the Group's key management personnel (KMP) for the year ended 30 June 2016.

The totals of remuneration paid to KMP of the company and the Group during the year are as follows:

| | 2016 \$ | 2015 \$ |
|------------------------------|------------------|------------------|
| Short-term employee benefits | 1,124,541 | 1,081,993 |
| Share-based payments | 1,305,000 | 1,310,100 |
| Total KMP compensation | <u>2,429,541</u> | <u>2,392,093</u> |

KMP and KMP Related Entities Options and Right Holdings

55,000,000 options were issued to Key Management Personnel during the year in satisfaction of the Company's obligation to pay outstanding invoices for services provided and performance settlement. These options were approved for issued by shareholdings of the Company at its last AGM. All options issued to Key Management Personnel as a result of debt conversions were issued in compliance with ASX Listing Rule 7.1 and will be ratified at the next AGM of the Company.

The number of options over ordinary shares held during the financial year by each KMP of the Group is as follow:

| | Balance at beginning of year | Granted during the year | Exercised during the year | Lapsed during the year | Other changes during the year | Balance at end of year |
|---------------------|------------------------------------|-------------------------------|---------------------------------|---------------------------|-------------------------------------|---------------------------|
| 30 June 2016 | | | | | | |
| Roger C Davey | 28,500,000 | 17,000,000 | - | - | - | 45,500,000 |
| David N Galbally QC | 10,000,000 | 6,500,000 | - | - | - | 16,500,000 |
| Andrew J Draffin | 12,500,000 | 6,500,000 | - | - | - | 19,000,000 |
| Christopher J Davey | 23,354,700 | 12,500,000 | - | - | - | 35,854,700 |
| Kim Forte | 22,750,000 | 10,000,000 | - | - | (4,000,000) | 28,750,000 |
| David Rodli | - | - | - | - | - | - |
| Dough Fant | 6,000,000 | 2,500,000 | - | - | - | 8,500,000 |
| George Horvath | - | - | - | - | - | - |
| Billy Willey | - | - | - | - | - | - |
| | <u>103,104,700</u> | <u>55,000,000</u> | <u>-</u> | <u>-</u> | <u>(4,000,000)</u> | <u>154,104,700</u> |

| | Balance at beginning of year | Granted during the year | Exercised during the year | Lapsed during the year | Other changes during the year | Balance at end of year |
|---------------------|------------------------------------|-------------------------------|---------------------------------|---------------------------|-------------------------------------|---------------------------|
| 30 June 2015 | | | | | | |
| Roger C Davey | 29,500,000 | 28,500,000 | - | (29,500,000) | - | 28,500,000 |
| David N Galbally QC | 7,800,000 | 10,000,000 | - | (7,800,000) | - | 10,000,000 |
| Andrew J Draffin | 3,528,000 | 12,500,000 | - | (3,528,000) | - | 12,500,000 |
| Christopher J Davey | 25,854,700 | 22,500,000 | - | (25,000,000) | - | 23,354,700 |
| Kim Forte | 25,725,000 | 22,500,000 | - | (25,475,000) | - | 22,750,000 |
| David Rodli | 1,442,857 | - | - | (1,442,857) | - | - |
| Dough Fant | 5,469,893 | 6,000,000 | - | (5,469,893) | - | 6,000,000 |
| George Horvath | 739,027 | - | - | (739,027) | - | - |
| Billy Willey | 739,027 | - | - | (739,027) | - | - |
| | <u>100,798,504</u> | <u>102,000,000</u> | <u>-</u> | <u>(99,693,804)</u> | <u>-</u> | <u>103,104,700</u> |

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KMP and KMP Related Entities Shareholdings

The number of ordinary shares in EnviroMission Limited held by each KMP of the Group during the financial year is as follows:

| | Balance at beginning of year | Granted as remuneration during the year | Issued on exercise of options during the year | Other changes during the year | Balance at end of year |
|---------------------|------------------------------------|--|--|-------------------------------------|---------------------------|
| 30 June 2016 | | | | | |
| Roger C Davey | 50,553,406 | | | 4,000,000 | 54,553,406 |
| David N Galbally QC | 2,250,000 | | | 908,537 | 3,158,537 |
| Andrew J Draffin | 6,287,428 | | | 2,550,000 | 8,837,428 |
| Christopher J Davey | 29,577,328 | | | - | 29,577,328 |
| Kim Forte | 19,868,486 | | | - | 19,868,486 |
| David Rodli | 140,000 | | | (134,000) | 6,000 |
| Dough Fant | - | | | - | - |
| George Horvath | 4,377,254 | | | - | 4,377,254 |
| Billy Willey | 2,527,254 | | | (2,501,180) | 26,074 |
| | <u>115,581,156</u> | - | - | <u>4,823,357.00</u> | <u>120,404,513</u> |

| | Balance at beginning of year | Granted as remuneration during the year | Issued on exercise of options during the year | Other changes during the year | Balance at end of year |
|---------------------|------------------------------------|--|--|-------------------------------------|---------------------------|
| 30 June 2015 | | | | | |
| Roger C Davey | 50,553,406 | - | - | - | 50,553,406 |
| David N Galbally QC | 2,250,000 | - | - | - | 2,250,000 |
| Andrew J Draffin | 6,287,428 | - | - | - | 6,287,428 |
| Christopher J Davey | 30,580,328 | - | - | (1,003,000) | 29,577,328 |
| Kim Forte | 20,068,486 | - | - | (200,000) | 19,868,486 |
| David Rodli | 2,463,280 | - | - | (2,323,280) | 140,000 |
| Dough Fant | 1,439,785 | - | - | (1,439,785) | - |
| George Horvath | 4,377,254 | - | - | - | 4,377,254 |
| Billy Willey | 2,527,254 | - | - | - | 2,527,254 |
| | <u>120,547,221</u> | - | - | <u>(4,966,065)</u> | <u>115,581,156</u> |

Other KMP Transactions

There have been no other transactions involving equity instruments other than those described in the tables above.

For details of other transactions with KMP, refer to Note 25: Related Party Transactions.

Note 7 Auditor's Remuneration

| | Consolidated Group | |
|--|---------------------------|---------------|
| | 2016 | 2015 |
| | \$ | \$ |
| Remuneration of the auditor for: | | |
| — Auditing or reviewing the financial report | 36,000 | 35,250 |
| | <u>36,000</u> | <u>35,250</u> |

Note 8 Dividends

No dividends were paid or declared during the financial year.

Note 9 Earnings per Share

| | Consolidated Group | |
|--|---------------------------|--------------------|
| | 2016 | 2015 |
| | \$ | \$ |
| (a) Reconciliation of earnings to profit or loss | | |
| Net loss for the year | (1,521,127) | (1,567,749) |
| Earnings used in the calculation of dilutive EPS | <u>(1,521,127)</u> | <u>(1,567,749)</u> |
| | | |
| | No. | No. |
| (b) Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS | 555,829,353 | 533,211,175 |
| Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS | <u>555,829,353</u> | <u>533,211,175</u> |

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Note 10 Cash and Cash Equivalents

| | Note | Consolidated Group 2016 \$ | 2015 \$ |
|--------------------------|------|----------------------------------|------------|
| Cash at bank and on hand | | 92,488 | 609,150 |
| Short-term bank deposits | | - | - |
| | 25 | 92,488 | 609,150 |

Reconciliation of cash

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

| | | |
|---------------------------|--------|---------|
| Cash and cash equivalents | 92,488 | 609,150 |
| Bank overdrafts | - | - |
| | 92,488 | 609,150 |

Note 11 Trade and Other Receivables

| | Note | Consolidated Group 2016 \$ | 2015 \$ |
|---|------|----------------------------------|------------|
| CURRENT | | | |
| Trade receivables | | | |
| — Development right fees | | 1,065,118 | 1,306,285 |
| — GST receivable | | 18,622 | 18,514 |
| Total current trade and other receivables | | 1,083,740 | 1,324,799 |

(a) Development right fees

An previously announced during May 2013, the Company entered into a Head of Agreement with a Texas based power development company whereby EnviroMission will grant development rights for solar tower development for the US State of Texas once a \$USD2,000,000 development fee has been received. At the date of this report \$USD1,210,000 has been received. The Company has brought the outstanding development fee as at 30 June 2016 to account as a receivable. However, it will only recognise the revenue as and when the instalments are received. The agreed deadline for receipt of the outstanding is 31 December 2016.

(b) Provision For Impairment of Receivables

Current trade and term receivables are non-interest bearing loans and generally on 30-day terms or those negotiated in any specific agreement. Non-current trade and term receivables are assessed for recoverability based on the underlying terms of the contract. A provision for impairment is recognised when there is objective evidence that an individual trade or term receivable is impaired. No provision for impairment has been recognised for the year.

Credit risk

The Group has no significant concentration of credit risk with respect to any single counter party or group of counter parties other than those receivables specifically provided for and mentioned within Note 11. The class of assets described as Trade and Other Receivables is considered to be the main source of credit risk related to the Group.

On a geographic basis, the Group has significant credit risk exposures in Australia and the United States of America given the substantial operations in those regions. The Group's exposure to credit risk for receivables at the end of the reporting period in those regions is as follows:

| | Consolidated Group 2016 \$ | 2015 \$ |
|--------------------------|----------------------------------|------------|
| AUD | | |
| Australia | 1,083,722 | 1,324,782 |
| United States of America | 18 | 17 |
| | 1,083,740 | 1,324,799 |

The following table details the Group's trade and other receivables exposed to credit risk (prior to collateral and other credit enhancements) with ageing analysis and impairment provided for thereon. Amounts are considered as 'past due' when the debt has not been settled with the terms and conditions agreed between the Group and the customer or counter party to the transaction. Receivables that are past due are assessed for impairment by ascertaining solvency of the debtors and are provided for where there are specific circumstances indicating that the debt may not be fully repaid to the Group.

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The balances of receivables that remain within initial trade terms (as detailed in the table) are considered to be of high credit quality.

| Consolidated Group | Gross Amount | Past due and impaired | Past due but not impaired (days overdue) | | | | Within initial trade terms |
|----------------------------|------------------|-----------------------|---|-------|-------|-----|----------------------------|
| | | | <30 | 31-60 | 61-90 | >90 | |
| 2016 | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Trade and term receivables | 1,065,118 | | | | | | 1,065,118 |
| Other receivables | 18,622 | | | | | | 18,622 |
| Total | 1,083,740 | - | - | - | - | - | 1,083,740 |

| Consolidated Group | Gross Amount | Past due and impaired | Past due but not impaired (days overdue) | | | | Within initial trade terms |
|----------------------------|------------------|-----------------------|---|-------|-------|-----|----------------------------|
| | | | <30 | 31-60 | 61-90 | >90 | |
| 2015 | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Trade and term receivables | 1,306,285 | | | | | | 1,306,285 |
| Other receivables | 18,514 | | | | | | 18,514 |
| Total | 1,324,799 | - | - | - | - | - | 1,324,799 |

| | Consolidated Group | |
|---|--------------------|------------------|
| | 2016 | 2015 |
| | \$ | \$ |
| (c) Financial Assets Classified as Loans and Receivables | | |
| Trade and other Receivables | | |
| — Total current | 1,083,740 | 1,324,799 |
| — Total non-current | - | - |
| Financial assets | <u>1,083,740</u> | <u>1,324,799</u> |

- (d) **Collateral Held as Security**
No Collateral was held as security at balance date or the date of this report.

Note 12 Interests in Subsidiaries

(a) **Information about Principal Subsidiaries**

Subsidiaries of EnviroMission Limited:

SolarMission Limited
Pure Solar Power (IP) Pty Ltd
SolarMission Technologies, Inc.
EnviroMission, Inc.
EnviroMission Capital, LLC
EnviroMission Management, LLC
La Paz Solar Tower, LLC

Country of Incorporation

| | 2016 (%) | 2015 (%) |
|--------------------------|-------------|-------------|
| Australia | 100% | 100% |
| Australia | 100% | 100% |
| United States of America | 100% | 100% |
| United States of America | 100% | 100% |
| United States of America | 100% | 100% |
| United States of America | 100% | 100% |
| United States of America | 100% | 100% |

* Percentage of voting power is in proportion to ownership

Note 13 Property, Plant and Equipment

| | Consolidated Group | |
|----------------------------------|--------------------|-------------------|
| | 2016 | 2015 |
| | \$ | \$ |
| PLANT AND EQUIPMENT | | |
| Plant and equipment: | | |
| At cost | 100,353 | 100,353 |
| Accumulated depreciation | (100,353) | (99,906) |
| Accumulated impairment losses | - | - |
| Total plant and equipment | <u>-</u> | <u>447</u> |

MOTOR VEHICLE

| | | |
|-------------------------------|----------------------|----------------------|
| Motor Vehicle | | |
| At cost | 74,833 | 72,506 |
| Accumulated depreciation | (27,955) | (16,180) |
| Accumulated impairment losses | - | - |
| Total motor vehicle | <u>46,878</u> | <u>56,326</u> |

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Movements in Carrying Amounts

Movements in carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year.

| | Plant and Equipment \$ | Motor Vehicle \$ | Total \$ |
|----------------------------|---------------------------------------|-----------------------------|---------------------|
| Consolidated Group: | | | |
| Balance at 1 July 2014 | 1,515 | 54,503 | 56,018 |
| Additions | - | 11,773 | 11,773 |
| Disposals | - | - | - |
| Depreciation expense | (1,068) | (9,950) | (11,018) |
| Balance at 30 June 2015 | <u>447</u> | <u>56,326</u> | <u>56,773</u> |
| Balance at 1 July 2015 | 447 | 56,326 | 56,773 |
| Additions | - | 2,009 | 2,009 |
| Disposals | - | - | - |
| Depreciation expense | (447) | (11,457) | (11,904) |
| Balance at 30 June 2016 | <u>-</u> | <u>46,878</u> | <u>46,878</u> |

Note 14 Intangible Assets

| | Consolidated Group 2016 \$ | 2015 \$ |
|--|---|--------------------|
| Goodwill | | |
| Cost | 5,919,752 | 5,919,752 |
| Accumulated impaired losses | (5,919,752) | (5,919,752) |
| Net carrying amount | <u>-</u> | <u>-</u> |
| Trademarks and licences | | |
| Cost | 10,552,284 | 10,552,284 |
| Accumulated amortisation and impairment losses | (10,152,284) | (10,152,284) |
| Net carrying amount | <u>400,000</u> | <u>400,000</u> |
| Development costs | | |
| Cost | 774,253 | 766,508 |
| Accumulated amortisation and impairment losses | - | - |
| Net carrying amount | <u>774,253</u> | <u>766,508</u> |
| Total intangibles | <u>1,174,253</u> | <u>1,166,508</u> |

Movements in Carrying Amounts

Consolidated Group:

Year ended 30 June 2015

| | Development Costs \$ | Trademarks & Licences \$ | Total \$ |
|--------------------------------------|-------------------------------------|---|---------------------|
| Balance at the beginning of the year | 720,920 | 400,000 | 1,120,920 |
| Additions | 45,588 | - | 45,588 |
| Disposals | - | - | - |
| Amortisation charge | - | - | - |
| Impairment losses | - | - | - |
| | <u>766,508</u> | <u>400,000</u> | <u>1,166,508</u> |

Year ended 30 June 2016

| | Development Costs \$ | Trademarks & Licences \$ | Total \$ |
|--------------------------------------|-------------------------------------|---|---------------------|
| Balance at the beginning of the year | 766,508 | 400,000 | 1,166,508 |
| Additions | 7,745 | - | 7,745 |
| Disposals | - | - | - |
| Amortisation charge | - | - | - |
| Impairment losses | - | - | - |
| | <u>774,253</u> | <u>400,000</u> | <u>1,174,253</u> |

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The Company has adopted a policy whereby it will capitalise all costs directly attributable to the Development of the La Paz Solar Tower technology in Arizona. The development phase of the La Paz Solar Power Tower was reached in conjunction with the agreement reached with the Southern California Public Power Authority (SCPPA) therefore expenditure incurred after this date will be capitalised in line with the Company's policy notwithstanding that the agreement with SCPPA has subsequently been terminated via mutual consent. The ability of the company to now freely deal with independent power utilities provides for a realistic opportunity of greater returns and therefore potential future economic benefits can be measured. The Intangible Asset created will be subject to continual impairment testing in accordance with AASB 136.

The value of the Intellectual Property and licences is dependent on the ability of the Company to generate income from the asset. Development fee income has been earned from these assets to 30 June 2016, however, it is the Directors view that the assets remain in development stage.

The Company is restricted from recording these assets at their re-valued amount by AASB 138. The standard restricts the Intellectual Property from being re-valued after its initial recognition in the absence of an active market.

Note 15 Other Assets

| | Consolidated Group | |
|---------------------|---------------------------|---------------|
| | 2016 | 2015 |
| | \$ | \$ |
| CURRENT | | |
| Prepayments | - | - |
| | - | - |
| NON-CURRENT | | |
| Rental bond deposit | 12,718 | 12,679 |
| Other receivables | 3,733 | 3,733 |
| | <u>16,451</u> | <u>16,412</u> |

Note 16 Trade and Other Payables

| | Note | Consolidated Group | |
|--|-------------|---------------------------|------------------|
| | | 2016 | 2015 |
| | | \$ | \$ |
| CURRENT | | | |
| Unsecured liabilities | | | |
| Trade payables | | 119,902 | 320,011 |
| Sundry payables and accrued expenses | | 72,325 | 74,340 |
| Amounts payable to related parties | | | |
| — other related parties | | - | - |
| — key management personnel | | 198,230 | 316,175 |
| — key management personnel related entities | | 557,548 | 827,070 |
| | | <u>948,005</u> | <u>1,537,596</u> |
| NON-CURRENT | | | |
| Unsecured liabilities | | | |
| Trade payables | | - | - |
| Sundry payables and accrued expenses | | - | - |
| — key management personnel | | - | - |
| — key management personnel related entities | | 1,375 | 1,332 |
| | | <u>1,375</u> | <u>1,332</u> |
| | | | |
| | | Consolidated Group | |
| | | 2016 | 2015 |
| | | \$ | \$ |
| (a) Financial liabilities at amortised cost classified as trade and other payables | | | |
| Trade and other payables | | | |
| — Total current | | 948,005 | 1,537,596 |
| — Total non-current | | 1,375 | 1,332 |
| Financial liabilities as trade and other payables | | <u>949,380</u> | <u>1,538,928</u> |

Note 17 Deferred Income

The Australian dollar equivalent of the US\$2,000,000 development licence fee has been brought to account as deferred income less payments received to date. The balance will be recognised as income on receipt of each instalment. As discussed in the directors report, the Company entered into a Head of Agreement which formalised the arrangement and set timelines for payment. The full amount is scheduled to be received by 31 December 2016, in regular instalments.

At the date of this report, US\$1,210,000 (2015: US\$1,000,000) of development licence fee has been received.

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Note 18 Borrowings

| | Note | Consolidated Group 2016 \$ | 2015 \$ |
|--|------|----------------------------------|---------------|
| CURRENT | | | |
| Unsecured liabilities (Interest bearing) | | 100,438 | - |
| | | <u>100,438</u> | <u>-</u> |
| NON-CURRENT | | | |
| Unsecured liabilities (Interest bearing) | | 44,678 | 55,386 |
| | | <u>44,678</u> | <u>55,386</u> |

Note 19 Provisions

| | Consolidated Group 2016 | 2015 |
|--------------------------------|----------------------------|----------|
| Employee Benefits | | |
| Opening balance at 1 July 2015 | - | - |
| Additional provisions | 32,555 | - |
| Amounts used | - | - |
| Balance at 30 June 2016 | <u>32,555</u> | <u>-</u> |

Note 20 Issued Capital

| | Consolidated Group 2016 \$ | 2015 \$ |
|--|----------------------------------|-------------------|
| 563,053,451 (2015: 542,406,785) fully paid ordinary shares | 40,939,555 | 39,432,556 |
| | <u>40,939,555</u> | <u>39,432,556</u> |

The company has authorised share capital amounting to 563,053,451 ordinary shares.

| | Consolidated Group 2016 No. | 2015 No. |
|--|-----------------------------------|--------------------|
| (a) Ordinary Shares | | |
| At the beginning of the reporting period | 542,406,785 | 512,677,344 |
| Shares issued during the year | 20,646,666 | 29,729,441 |
| At the end of the reporting period | <u>563,053,451</u> | <u>542,406,785</u> |

Ordinary shareholders participate in dividends and the proceeds on winding-up of the parent entity in proportion to the number of shares held. At the shareholders' meetings each ordinary share is entitled to one vote when a poll is called; otherwise each shareholder has one vote on a show of hands.

(b) **Options**

70,248,333 options were issued during the reporting period. Refer to the Directors Report for details on issue, price and expiry.

(c) **Capital Management**

Management controls the capital of the Group in order to maintain a sustainable debt to equity ratio, generate long-term shareholder value and ensure that the Group can fund its operations and continue as a going concern.

The Group's debt and capital include ordinary share capital and financial liabilities, supported by financial assets.

The Group is not subject to any externally imposed capital requirements.

Management effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

There have been no changes in the strategy adopted by management to control the capital of the Group since the prior year.

| | Consolidated Group 2016 \$ | 2015 \$ |
|-------------------------------------|----------------------------------|----------------|
| Total trade payables and borrowings | 1,094,496 | 1,594,314 |
| Less cash and cash equivalents | (92,488) | (609,150) |
| Net debt | 1,002,008 | 985,164 |
| Total equity | (221,681) | (273,061) |
| Total capital | <u>780,327</u> | <u>712,103</u> |
| Gearing ratio | 128% | 138% |

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Note 21 Contingent Liabilities and Contingent Assets

No contingent liabilities or contingent assets existed at the reporting date.

Note 22 Operating Segments

General Information

Identification of reportable segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the board of directors (chief operating decision markers) in assessing performance and in determining the allocation of resources.

Assets by geographical region

The location of segment assets by geographical location of the assets is disclosed below:

| | Segment Revenues from External Customers | | Carrying Amount of Segment Assets | | Carrying Amount of Segment Liabilities | |
|--------------------------|---|----------------|--------------------------------------|------------------|---|--------------------|
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| | \$ | \$ | \$ | \$ | \$ | \$ |
| Australia | 293,902 | 515,680 | 1,839,615 | 2,530,382 | (1,647,260) | (2,212,916) |
| United States of America | 158,315 | - | 574,195 | 643,260 | (544,869) | (687,665) |
| | <u>452,217</u> | <u>515,680</u> | <u>2,413,810</u> | <u>3,173,642</u> | <u>(2,192,129)</u> | <u>(2,900,581)</u> |

Note 23 Cash Flow Information

| | Consolidated Group | |
|--|--------------------|--------------------|
| | 2016 | 2015 |
| | \$ | \$ |
| (a) Reconciliation of Cash Flows from Operating Activities with Profit after Income Tax | | |
| Loss from ordinary activities after income tax | (1,521,128) | (1,567,749) |
| Non-cash flows in operating result | | |
| Depreciation | 11,904 | 11,018 |
| Equity issues for services provided | 500,000 | 229,711 |
| Foreign exchange loss / (gain) | 40,310 | (300,961) |
| Changes in assets and liabilities | | |
| (Increase)/Decrease in trade and other receivables | 241,020 | 176,077 |
| Increase/(Decrease) in deferred income | (241,189) | (176,941) |
| Increase/(Decrease) in trade payables and accruals | (556,993) | (18,116) |
| Cash flows from operating activities | <u>(1,526,076)</u> | <u>(1,646,961)</u> |

Note 24 Events After the Reporting Period

David Galbally QC resigned as a Director of the Company on 6 September 2016.

Other than the continued re-negotiations with Valentia Development Co concerning their proposed investment together with continued re-negotiations with RA Solar concerning the Development Rights fee for the Indian region there are no specific events post balance date that has not been addressed in ASX Announcements to date.

The Company's securities continue to be suspended from trading pending a resolution on the Valentia Development Co investment.

Note 25 Related Party Transactions

Related Parties

(a) The Group's main related parties are as follows:

i. Key Management Personnel:

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity are considered key management personnel.

ii. Other Related Parties

Other related parties include entities controlled by the ultimate parent entity and entities over which key management personnel have joint control.

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(b) Transactions with related parties:

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

The following transactions occurred with related parties:

| | Consolidated Group | |
|--|---------------------------|-------------|
| | 2016 | 2015 |
| | \$ | \$ |
| i. Director related Company | | |
| Consultancy fees paid to Mr Roger Davey is paid to Canterbury Mint Pty Ltd, a Company of which Mr Davey is a director and shareholder. | 375,000 | 375,000 |
| Professional fees paid to DW Accounting & Advisory Pty Ltd, a Company of which Mr Draffin is a director and shareholder. | 60,175 | 60,175 |
| Directors fees to Mr Andrew Draffin is paid to Draffin Walker & Co., a Company of which Mr Draffin is a director and shareholder. | 60,000 | 60,000 |
| ii. Key Management Personnel | | |
| Consultancy fees paid to Ms Kim Forte is paid to Kim Forte Consulting, a business of which Ms Forte is a proprietor. | 240,000 | 240,000 |
| (c) Amounts outstanding from related parties | | |
| Canterbury Mint Pty Ltd | 350,072 | 633,398 |
| DW Accounting & Advisory Pty Ltd | 80,443 | 85,000 |
| Kim Forte Consulting | 52,412 | 22,839 |
| Douglas V. Fant | - | - |
| David Rodli Law Office | 71,331 | 82,645 |
| Andrew Draffin | 45,000 | 140,000 |
| David Galbally | 95,000 | 185,000 |
| Chris Davey | 58,229 | - |

Note 26 Financial Risk Management

The Group's financial instruments consist mainly of deposits with banks, short-term investments, accounts receivable and payables, loans to and from subsidiaries.

The totals for each category of financial instruments, measured in accordance with AASB 139: *Financial Instruments: Recognition and Measurement* as detailed in the accounting policies to these financial statements, are as follows:

| | | Consolidated Group | |
|---|-----|---------------------------|------------------|
| | | 2016 | 2015 |
| | | \$ | \$ |
| Financial Assets | | | |
| Cash and cash equivalents | 10 | 92,488 | 609,150 |
| Loans and receivables | 11b | 1,083,740 | 1,324,799 |
| Total Financial Assets | | <u>1,176,228</u> | <u>1,933,949</u> |
| Financial Liabilities | | | |
| Financial liabilities at amortised cost | | | |
| — Trade and other payables | 16 | 949,380 | 1,538,928 |
| — Borrowings | 18 | 145,116 | 55,386 |
| Total Financial Liabilities | | <u>1,094,496</u> | <u>1,594,314</u> |

Financial Risk Management Policies

Risk management policies are established to identify and analyse the risks faced by the consolidated group, to set appropriate risk limits and controls and to monitor risks and adherence to the limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the consolidated groups activities. The consolidated group through their training management standards and procedures, aim to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

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Specific Financial Risk Exposures and Management

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

a. Credit risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the Group.

Credit risk is managed through maintaining procedures ensuring, to the extent possible, that customers and counterparties to transactions are of sound credit worthiness and includes the utilisation of systems for the approval, granting and renewal of credit limits, the regular monitoring of exposures against such limits and the monitoring of the financial stability of significant customers and counterparties. Such monitoring is used in assessing receivables for impairment.

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

Credit Risk Exposures

The maximum exposure to credit risk by class of recognised financial assets at balance date, is equivalent to the carrying value and classification of those financial assets (net of any provisions) as presented in the statement of financial position. Credit risk also arises through the provision of financial guarantees, as approved at Board level, given to parties securing the liabilities of certain subsidiaries.

The Group has no significant concentration of credit risk with any single counterparty or group of counterparties. However, on a geographic basis, the Group has significant credit risk exposures to Australia and the United States of America given the substantial operations in those regions. Details with respect to credit risk of Trade and Other Receivables is provided in Note 11.

b. Liquidity risk

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

- preparing forward looking cash flow analysis in relation to its operational, investing and financing activities
- obtaining funding from a variety sources
- maintaining a reputable credit profile
- managing credit risk related to financial assets
- only investing surplus cash with major financial institutions

The table below reflects an undiscounted contractual maturity analysis for financial liabilities.

Cash flows realised from financial assets reflect management's expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed. The timing of cash flows presented in the table to settle financial liabilities reflect the earliest contractual settlement dates and do not reflect management's expectations that banking facilities will be rolled forward.

Financial liability and financial asset maturity analysis

| Consolidated Group | Within 1 Year | | 1 to 5 years | | Over 5 years | | Total | |
|---|---------------|-----------|--------------|----------|--------------|------|-----------|-----------|
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Financial liabilities due for payment | | | | | | | | |
| Borrowings | 145,116 | - | - | 55,386 | - | - | 145,116 | 55,386 |
| Trade and other payables | 192,227 | 394,351 | - | - | - | - | 192,227 | 394,351 |
| Amounts payable to related parties | 755,778 | 1,143,245 | 1,375 | 1,332 | - | - | 757,153 | 1,144,577 |
| Total contractual outflows | 1,093,121 | 1,537,596 | 1,375 | 56,718 | - | - | 1,094,496 | 1,594,314 |
| Financial Assets - cash flows realisable | | | | | | | | |
| Cash and cash equivalents | 92,488 | 609,150 | - | - | - | - | 92,488 | 609,150 |
| Trade, term and loans receivables | 1,083,740 | 1,324,799 | - | - | - | - | 1,083,740 | 1,324,799 |
| Total anticipated inflows | 1,176,228 | 1,933,949 | - | - | - | - | 1,176,228 | 1,933,949 |
| Net (outflow) / inflow on financial instruments | 83,107 | 396,353 | (1,375) | (56,718) | - | - | 81,732 | 339,635 |

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c. Market Risk

i. Foreign exchange risk

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

Due to instruments held by overseas operations, fluctuation in US Dollars may impact on the Group's financial results unless those exposures are appropriately hedged.

The Australian dollar equivalent of foreign currency balances included in the accounts which are not effectively hedged are as follows:

| | Consolidated Group | |
|------------------------------------|---------------------------|------------------|
| | 2016 | 2015 |
| | \$ | \$ |
| United States Dollars | | |
| Cash and cash equivalents | 7,757 | 81,967 |
| Current trade & other receivables | 18 | 17 |
| Non-current other financial assets | - | - |
| Current trade & other payables | (458,146) | (588,127) |
| Non-current borrowings | (44,678) | (55,386) |
| | <u>(495,049)</u> | <u>(561,529)</u> |

The following significant exchange rates were applied during the year:

| | Average rate | | Spot rate | |
|----------------|---------------------|-------------|------------------|-------------|
| | 2016 | 2015 | 2016 | 2015 |
| \$1 AUD | | | | |
| United States | 0.729 | 0.837 | 0.742 | 0.766 |

iii. Price risk

Price risk relates to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices largely due to demand and supply factors (other than those arising from interest rate risk or currency risk) for commodities.

Sensitivity Analysis

The following table illustrates sensitivities to the Group's exposures to changes in interest rates, exchange rates and commodity and equity prices. The table indicates the impact of how profit and equity values reported at the end of the reporting period would have been affected by changes in the relevant risk variable that management considers to be reasonably possible.

These sensitivities assume that the movement in a particular variable is independent of other variables.

| | Consolidated Group | |
|------------------------------------|---------------------------|---------------|
| | Profit | Equity |
| | \$ | \$ |
| Year ended 30 June 2016 | | |
| 100 basis points in interest rates | (13) | - |
| +/- 10% in \$A/\$US | 12 | 27,960 |
| | | |
| | Consolidated Group | |
| | Profit | Equity |
| | \$ | \$ |
| Year ended 30 June 2015 | | |
| 100 basis points in interest rates | 241 | - |
| +/- 10% in \$A/\$US | 1,970 | 31,685 |

There have been no changes in any of the methods or assumptions used to prepare the above sensitivity analysis from the prior year.

Fair Values

Fair value estimation

The fair values of financial assets and financial liabilities are presented in the following table and can be compared to their carrying amounts as presented in the statement of financial position. Fair value is the amount at which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Fair values derived may be based on information that is estimated or subject to judgement, where changes in assumptions may have a material impact on the amounts estimated. Areas of judgement and the assumptions have been detailed below. Where possible, valuation information used to calculate fair value is extracted from the market, with more reliable information available from markets that are actively traded.

Differences between fair values and carrying values of financial instruments with fixed interest rates are due to the change in discount rates being applied by the market since their initial recognition by the Group. Most of these instruments which are carried at amortised cost (i.e. term receivables, held-to-maturity assets, loan liabilities) are to be held until maturity and therefore the net fair value figures calculated bear little relevance to the Group.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

| | Note | 2016 | | 2015 | |
|------------------------------------|------|------------------|------------------|------------------|------------------|
| | | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| | | \$ | \$ | \$ | \$ |
| Consolidated Group | | | | | |
| Financial assets | | | | | |
| Cash and cash equivalents | (i) | 92,488 | 92,488 | 609,150 | 609,150 |
| Trade and other receivables | (i) | 1,083,740 | 1,083,740 | 1,324,799 | 1,324,799 |
| Total financial assets | | 1,176,228 | 1,176,228 | 1,933,949 | 1,933,949 |
| Financial liabilities | | | | | |
| Trade and other payables | (i) | 949,380 | 949,380 | 1,538,928 | 1,538,928 |
| Deferred Income | (i) | - | - | - | - |
| Borrowings | (i) | 145,116 | 145,116 | 55,386 | 55,386 |
| Total financial liabilities | | 1,094,496 | 1,094,496 | 1,594,314 | 1,594,314 |

Note 27 Reserves

Foreign Currency Translation Reserve

The foreign currency translation reserve records exchange differences arising on translation of a foreign controlled subsidiary. Refer to the Changes in Equity section on page 15 for further details of movement for the reporting period.

Note 28 Economic Dependency

All subsidiaries and controlled entities are dependent on the Parent Company, EnviroMission Limited.

Note 29 Company Details

The registered office of the company is:

EnviroMission Limited

238 Albert Road

South Melbourne VIC 3205

The principal places of business are:

EnviroMission Limited

238 Albert Road

South Melbourne VIC 3205

**ENVIROMISSION LIMITED ABN: 52 094 963 238
AND CONTROLLED ENTITIES
DIRECTORS' DECLARATION**

In accordance with a resolution of the directors of EnviroMission Limited, the directors of the company declare that:

1. the financial statements and notes, as set out on pages 13 to 37, are in accordance with the Corporations Act 2001 and:
 - (a) comply with Australian Accounting Standards, which, as stated in accounting policy Note 1 to the financial statements, constitutes compliance with International Financial Reporting Standards (IFRS);
 - (b) give a true and fair view of the financial position as at 30 June 2016 and of the performance for the year ended on that date of the consolidated group;
2. in the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
3. the directors have been given the declarations required by section 295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer.

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



Roger C Davey
Director

Melbourne, 29th September 2016

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF ENVIROMISSION LIMITED**

Report on the Financial Report

We have audited the accompanying financial report of Enviromission Limited and controlled entities, which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of profit or loss and other 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 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 (IFRS).

Auditor's Responsibility

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

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

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

Independence

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

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF ENVIROMISSION LIMITED continued**

Auditor's Opinion

In our opinion:

- a. the financial report of Enviromission Limited 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 2016 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and
- b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Emphasis of matter

Without qualifying our opinion expressed above, we draw attention to Note 1(r) of the financial report regarding the ability of the company to continue as a going concern. The financial report indicates a net current asset deficiency of \$969,848 with carried forward losses of \$40,997,474 including a current year loss of \$1,521,128. This condition indicates the existence of a material uncertainty which may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the financial report.

Report on the Remuneration Report

We have audited the remuneration report included in pages 4 to 6 of the directors' report for the year ended 30 June 2016. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with s 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 Enviromission Limited and controlled entities for the year ended 30 June 2016 complies with s 300A of the Corporations Act 2001.

MSI Ragg Weir

MSI RAGG WEIR
Chartered Accountants

L.S. Wong

L.S. WONG
Partner

Melbourne: 29 September 2016

**ENVIROMISSION LIMITED ABN: 52 094 963 238
AND CONTROLLED ENTITIES
ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES**

The following information is current as at 31 August 2016:

1. Shareholding

a. Distribution of Shareholders

| Category (size of holding) | No. of holders | No. of ordinary shares |
|----------------------------|----------------|------------------------|
| 1 – 1,000 | 42 | 13,195 |
| 1,001 – 5,000 | 349 | 1,211,523 |
| 5,001 – 10,000 | 352 | 2,993,600 |
| 10,001 – 100,000 | 766 | 29,712,641 |
| 100,001 – and over | 344 | 529,391,722 |
| | 1,853 | 563,322,681 |

b. The minimum marketable parcel size is 5,000 (2015: 8,334) shares and the number of shareholdings held is less than marketable parcel is 300 (2015: 478).

c. The names of the substantial shareholders listed in the holding company's register are:

| Shareholder | Number of Ordinary Fully Paid Shares Held | % Held of Issued Ordinary Capital |
|---------------------------|---|-----------------------------------|
| Mr Charles Wells | 43,386,186 | 7.70% |
| National Nominees Limited | 39,637,408 | 7.04% |
| Canterbury Mint Pty Ltd | 28,000,000 | 4.97% |

d. Voting Rights

All shares carry one vote per share without restriction.

e. 20 Largest Shareholders — Ordinary Shares

| Name | Number of Ordinary Fully Paid Shares Held | % Held of Issued Ordinary Capital |
|---|---|-----------------------------------|
| 1. Mr Charles Wells | 43,386,186 | 7.70% |
| 2. National Nominees Limited | 39,637,408 | 7.04% |
| 3. Canterbury Mint Pty Ltd | 28,000,000 | 4.97% |
| 4. Mr Christopher Davey | 16,825,071 | 2.99% |
| 5. Canterbury Mint Pty Ltd <Canterbury Mint S/Fund A/C> | 15,273,406 | 2.71% |
| 6. Ian K Nixon Pty Ltd <Ian K Nixon Super Fund A/C> | 14,350,000 | 2.55% |
| 7. Rustic Court Pty Ltd <Fletcher Family S/F A/C> | 14,083,334 | 2.50% |
| 8. Mr Christopher James Davey | 12,752,257 | 2.26% |
| 9. Andelou Pty Ltd | 12,000,001 | 2.13% |
| 10. Bond Street Custodians Limited <Prsevi-D09250 A/C> | 11,602,777 | 2.06% |
| 11. Mr Roger Davey | 11,280,000 | 2.00% |
| 12. Sunshine Energy (AUST) Pty Ltd | 10,714,286 | 1.90% |
| 13. Mostol Pty Ltd <The Mostol A/C> | 10,678,796 | 1.90% |
| 14. Ms Kim Elizabeth Forte | 10,000,000 | 1.78% |
| 15. Maureen F B Nixon Pty Ltd <Maureen F B Nixon S/F A/C> | 9,030,000 | 1.60% |
| 16. Terstan Nominees Pty Ltd <Morrows P/L Super Fund A/C> | 8,901,110 | 1.58% |
| 17. Carmes Holdings Pty Ltd <Ayerbe Super Fund A/C> | 8,456,424 | 1.50% |
| 18. Log Creek Pty Ltd | 7,692,308 | 1.37% |
| 19. Asgard Capital Management Ltd <0604525 Auld Super Fund A/C> | 7,388,889 | 1.31% |
| 20. Ms Kim Elizabeth Forte | 6,868,486 | 1.22% |
| | 298,920,739 | 53.07% |

2. Registers of securities are held at the following addresses

Computershare Investors Services Pty Limited
Yarra Falls
452 Johnson Street
Abbotsford, Victoria 3067

3. Stock Exchange Listing

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

4. Options over Unissued Shares

A total of 226,738,305 options are on issue at the date of this report. The options are not listed for quotation.