ANNUAL REPORT

YEAR ENDED 30 JUNE 2014

Greenearth Energy Ltd.

GREENEARTH ENERGY LTD
CORPORATE INFORMATION

Directors	Robert J. Annells (Chairman) Samuel R. Marks (Managing Director) John T. Kopcheff (Non-executive Director) Philip Zajac (Non-executive Director)
Company Secretary	Robert Smith
Registered Office	Level 14 500 Collins Street Melbourne, Victoria, 3000
Address for Correspondence	P.O. Box 24 Collins Street West, Victoria, 8007
Telephone	+61 3 9620 7299
Facsimile	+61 3 9629 1624
Email	greenearth@greenearthenergy.com.au
Web site	www.greenearthenergy.com.au
Legal Advisors	Baker & McKenzie Level 19, CBW 181 William Street Melbourne, Victoria, 3000
Auditors	Pitcher Partners Level 19, 15 William Street Melbourne, Victoria, 3000
Bankers	Westpac Banking Corporation 360 Collins Street Melbourne, Victoria, 3000
Securities Exchange	Australian Securities Exchange Limited Level 45, South Tower, Rialto 525 Collins Street Melbourne, Victoria, 3000
Share Registry	Computershare Investor Services Pty Ltd Yarra Falls, 452 Johnston Street Abbotsford, Victoria, 3067 Shareholder Enquiries (within Australia): 1300 850 505 Shareholder Enquiries (outside Australia): +61 3 9415 4000 Website – www.computershare.com.au/investors
ASX code	GER

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

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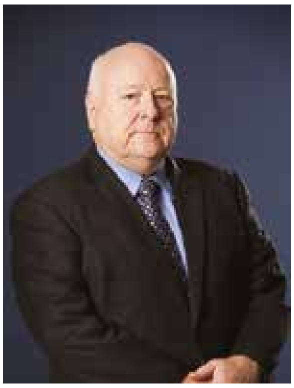


CHAIRMAN'S REPORT

Dear Shareholder,

It is my pleasure to present the Annual Report for Greenearth Energy Limited for the year ended 30 June 2014.

It has been an exciting year on a number of fronts as we work towards achieving our strategic objectives.

We continue to build success in our industrial energy efficiency business, Greenearth Energy Efficiency, which has secured a number of additional blue-chip clients this year for its energy efficient industrial lighting systems. This continues to demonstrate the customer appeal in having intelligent, robust solutions with compelling energy savings. We hold high expectations for the future of this business as it continues to grow its operational capabilities and track record, and enhance its established market reputation as a provider of innovative solutions to its growing customer base.

The NewCO2Fuels team in Israel achieved some significant milestones in its technology development progress, with the core CO_2-to-fuel conversion technology now proven from a technical perspective using both waste heat and solar energy configurations. Moreover, the results of those milestones are far in excess of what was initially anticipated. As the NewCO2Fuels business progresses from the research and development phase into the commercialisation phase, the potential for its technology to make a positive impact on a large scale continues to impress. The company also continues to receive positive feedback from leading industrial and scientific organisations.

In line with this progress, the group secured a new investment in NewCO2Fuels in June 2014, via an agreement to purchase up to 33.33% of NewCO2Fuels. This investment replaced the group's previous investment in NewCO2Fuels, which was sold to the Erdi Group as part of arrangements made in 2012 that in return saw significant investment and working capital provided to Greenearth during the last two years.

The company's flagship geothermal project, the Geelong Geothermal Power Project, experienced a funding setback during the year with our expression of interest for funding declined by the Australian Renewable Energy Agency, and the Victorian Government consequently terminated its previous funding agreement in relation to the project. Although the group retains its interests in the project, we have successfully suspended all work program requirements until at least 2015 and do not intend to direct significant funds towards the project until further notice. With the Victorian Government's current ban on hydraulic fracturing, the outlook for the geothermal industry operations in Victoria remains slow. We also maintain our other Victorian geothermal interests in the Latrobe Valley and continue to monitor opportunities in Indonesia, however our immediate focus is directed at building our non-geothermal business units.

The company completed a share placement in October 2013, as well as a share placement and Share Purchase Plan in June 2014. Proceeds are assisting the industrial energy efficiency business in taking advantage of the sizeable market opportunities in that segment, and have also enabled the group to commence its new investment program into the NewCO2Fuels business, as well as providing additional working capital to the group. Both placements and the Share Purchase Plan were well supported by both new and existing shareholders.

Our team have done a marvelous job of enabling each of our businesses to maximise opportunities to deliver for our shareholders, and I am looking forward to seeing continued improvements in results.

On behalf of the Board and management, I would like to thank our shareholders for their continued support of the company. Together we have built a business that is well positioned for future success.

Robert J Annells

Chairman
9 October 2014

DIRECTORS' REPORT

The Directors present their report together with the financial report of the consolidated entity consisting of Greenearth Energy Ltd and the entities it controlled, for the financial year ended 30 June 2014 and auditor's report thereon. This financial report has been prepared in accordance with Australian Accounting Standards.

DIRECTORS

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

Robert J. Annells

CPA, F.Fin.
(Chairman)

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

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

Mr Annells is also a member of the Audit Committee of Greenearth Energy.

John T. Kopcheff

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

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

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

Samuel R. Marks

CA, B.Bus.
(Managing Director)

Mr Marks was appointed as Managing Director on 1 July 2012. Mr Marks has over 16 years global commercial experience across accounting, consulting, corporate finance and corporate roles. He commenced his career with Coopers & Lybrand (PwC) in the Middle Market team, followed by Arthur Anderson (now KordaMentha) in their advisory/insolvency team.

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

Mr Marks is a Chartered Accountant with a Bachelor of Business and is Six Sigma qualified through General Electric. He is also a director of The Melbourne Foundation, a not-for-profit organisation which provides education opportunities for financially disadvantage youths. Mr Marks has not held any other directorships of listed companies during the three year period prior to 30 June 2014.

Philip Zajac

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

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

Mr Zajac is involved in the development, ownership and management of eight hotels in Victoria, Sydney and Brisbane, along with the design and construction of affordable student housing and apartments. He also runs an extensive philanthropy programme across Australia and overseas. No other directorships of listed companies were held at any time during the three years prior to 30 June 2014.

COMPANY SECRETARY

Robert Smith

B.Bus(Acc), CA
(Company Secretary since 2 July 2013 and as at the date of this report)

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

PRINCIPAL ACTIVITIES

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

RESULTS

The consolidated loss after income tax attributable to the members of Greenearth Energy Ltd was $226,112 (2013: $1,612,998 loss).

REVIEW OF OPERATIONS

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

The 2014 year was one of consolidation and stabilisation of the Greenearth Energy Group ("the Group"). After an initial 12 months of restructuring in 2012/13, the executive team of the Group focused on developing a strong platform for long term growth in 2013/14, with a focus on core businesses. This resulted in a position at the end of the financial year where the Group concentrated on building underlying income via the Industrial Energy Efficiency business, Greenearth Energy Efficiency ('GEE'), and acquiring a 33.33% stake in NewCO2Fuels Ltd ('NCF'), which is managed by an external leadership team in Rehovot, Israel. The historical main-stay of Greenearth Energy, our Geothermal division, has seen our Australian work program requriements suspended until further notice due to the Victorian State Government ban on drilling and Hydraulic Fracturing, as outlined in more detail in the report.

In establishing this platform for growth, the team completed an initial capital raise in October 2013 of $0.7m, followed by a larger raise in May / June 2014 of $3.84m, including a Share Purchase Plan. These raises have helped consolidate this refocus and provided the Group the opportunity to hire key new staff within GEE, focusing on sales and other areas of growth required within the business. Additionally, GER completed its first instalment of a payment to NCF towards the $US3m required to complete the transaction to acquire 33.33%.

The key to the long term success of the Group is to build on these now established platforms in 2014/15. These two main focuses are developing increased sales within GEE and assisting the NCF business move successfully from an R&D business, into a commercialisation venture.

Financial overview

The Consolidated Loss of the Group after Tax decreased by 86% from the previous comparative period to $226,112 (2013: $1,612,998) principally due to the following key drivers:

- Revenue and other income included a $2,161,151 gain recognised on changes to the Group's investment in NewCO2Fuels Ltd. This resulted from the disposal of the Group's previous 50% ownership interest in NewCO2Fuels Ltd under the previously negotiated option arrangements with Erdi Fuels, consideration for which had been received progressively over a three year period ending in June 2014 (as documented in prior annual reports). In conjunction with the disposal of this previous 50% interest, the Group entered into a new agreement to acquire a 33.33% interest in NewCO2Fuels Ltd. These transactions are discussed in further detail below as well as note 15 to the financial statements.
- Revenue from sale of goods increased by 58% from the previous comparative period to $661,297 (2013: $419,320). This was predominantly driven by the renewed focus on the Industrial Energy Efficiency business, with 2013/14 establishing more "proof of concept" sites and pilots utilising our Lighting technologies.
- Expenses increased by 19% from the previous comparative period to $2,949,074 (2013: $2,481,215). Following the previous year's focus on cost reductions, the Group commenced a number of business initiatives, principally around investing in GEEs growth post the October capital raise, details of which are outlined in the following section of this report.

The company issued a total of 78,778,405 shares and 9,750,000 unlisted incentive options during the period ended 30 June 2014.

Strategy execution

Greenearth Energy Limited ('GER') is a diversified Australian based renewable energy company with interests in technology-focussed solutions in the energy efficiency and CO_2-to-fuel conversion markets, as well as suspended interests in conventional geothermal resources in Australia and the wider Pacific Rim. 2013/14 saw GER become clearly focused on this long term strategy with a heavy investment into establishing cash flow generating business units; Greenearth Energy Efficiency ('GEE') and the longer term commercialisation business unit of NewCO2Fuels ("NCF'). Due to a multitude of factors, Greenearth's Geothermal work program requirements in Australia have been suspended until further notice.

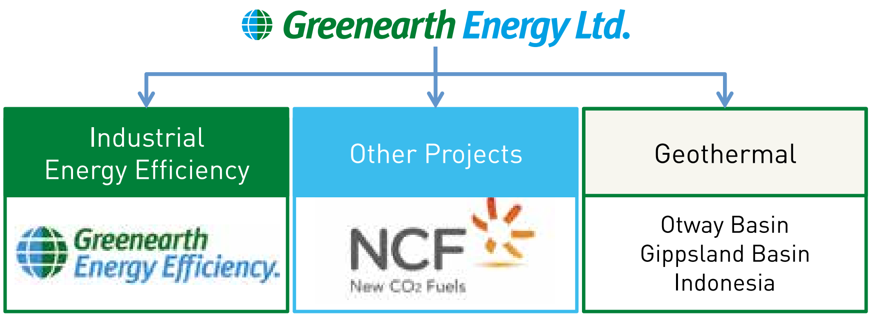
Within this report is a more detailed review of the strategy and opportunity which exists along with a summary of what was executed during the financial year to ensure GER could deliver on its strategy in the future.

These non-geothermal business units focus on both Industrial Energy Efficiency and CO_2-to-Fuels sectors. Both these sectors are at a stage in when the opportunities continue to grow and become a more prominent discussion point for businesses and consumers across the globe. Subsequently, with the continued concerns around CO_2 in an energy constrained world, along with the ongoing development of ground breaking technologies which are financially viable, with-out government subsidies, the opportunities for Greenearth only continue to grow.

In 2013/14, Greenearth Energy took the opportunity to consider the local (Australia and New Zealand) and global markets to understand what the terms "Renewable Energy" and "Energy Efficiency" meant for our customer base.

Both terms are used as 'catch-phrases' in the local and global markets in many ways, for many purposes, however what they meant for our potential customer base was quite clear: both GEE's and NCF's Industrial customer base are keenly focused on making a positive impact on the environment by reducing their ecological footprint and ensuring there is no, or limited, wastage of resources. However, given the current challenging economic climate, all solutions importantly are required to be financially viable - i.e., bring a financial return on investment which improves the businesses overall performance. GEE's current product range, and NCF's products under development, do just that. All new products we consider in the future under GEE are also reviewed for the same purposes.

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



Each of the three project areas within the Geothermal business unit, along with each of the other business units, represents a reportable segment (refer to note 33 to the financial statements).

Summary of Business Unit Operations & Background Overviews:

NON GEOTHERMAL OPERATIONS

Greenearth Energy Efficiency

Greenearth Energy Efficiency (GEE) is a business unit focused on the integration of energy efficiency technologies into the Industrial, Warehouse and Manufacturing sector across Asia. The core current product focuses on energy efficient lighting systems. 2013/14 saw GEE continue to develop its strategy towards building proof of concept and 'pilot' sites across the sectors, whilst operationally building a platform for growth in the next financial year.

The product base continues to be received particularly keenly in sectors where facilities operate continuously and high standards around OH&S and processing standards are applied, such as the Food and Beverage Industry.

The highlights for 2013/14 included:

- Securing blue chip customers including Sydney Ports, Linfox, Schweppes and more
- Increased sales and market penetration to OEM customers
- Secured Metrolight and Menolinx technologies for future growth
- Hiring of key Sales and Business Development Staff to build sales
- Development and roll-out of GEE proprietary high efficiency technology: wireless and LED platforms
- Victorian Government Accreditation as an Accredited Certificate Provider for the VEET program
- Commissioning of GEE's first "cloud based monitoring" system

Further information on all of these highlights are detailed in the Quarterly reports released to the market through-out the year.

The team at GEE is consistently focused on service and operational excellence. Throughout the last financial year, we have continued to build our reputation as a reliable and trusted partner in the industrial end of the market, providing the highest quality with tangible results. Our business model aims to deliver on the three key elements which are becoming a prevalent focus of industrial companies; environmental benefits (reductions in CO_2 emissions), social benefits(improved safety and office comfort levels) and economic benefits (energy savings of up to 75% per annum - directly improving profits).

We are genuinely excited about what lies ahead in 2014/15, with an expectation of revenue growth and additional product lines just a small part of what we see ahead for the GEE business.

NewCO2FUELS

The 2013/14 financial year was an extremely exciting one for the NewCo2Fuels business. Off the back of successful results in the Stage 1 and 2 testing completed during the year, June 2014 saw Greenearth Energy Ltd (Greenearth) advise that the Group reached a new agreement in respect of its investment in NewCo2Fuels Israel (NCF) as detailed in Note 15 of the Financial Statements. Under this agreement, Greenearth has commenced payments to NCF, with the first instalment in June 2014 and the remainder of the USD$3m investment due by January 2015. The investment is subject to partial claw-back by NCF should less than USD$3m be ultimately invested by Greenearth and is detailed further in this report.

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

DIRECTORS' REPORT

In completing both Stage 1 and 2 testing of the NCF system during 2013/14, both the Excess Heat and Solar Energy heat source models have now been proven. These were the key steps required prior to initiating the commercialisation phase. Subsequent to this completion, the last quarter of 2013/14 saw NCF move from the R&D phase of the business, to ongoing development and commercialisation via developing international partnerships and opportunities for trial / deployment of the equipment.

The highlights for the year included:

- Successful completion of Proof of Concept testing;
  - Completion of Stage 1: Proof of technology assembly & commencement of testing - Excess Heat
  - Completion of Stage 2: Proof of technology assembly & commencement of testing - Renewable/Solar
- Improved disassociation rates by a factor of 800 times on original tests in 2010
  - i.e. The cost per unit disassociation reduced by 34 times
- NCF signed two commercialisation agreements with global conglomerates
- Detailed discussions with industry partners on NCF's Industrial excess heat configurations
- Worley Parsons Independent technical review completed with positive feedback

2013/14 was an extremely exciting year for the team at NCF. With many world-firsts accomplished and the beginning of a commercialisation program which is receiving a great deal of interest from industry, the team should be congratulated for their efforts.

We are very happy with our decision to invest further into the NCF business in June 2014 with the intention of helping the business move forwards to the next phase. We are excited by what lies ahead within the next 12 months and will continue to provide updates as more progress is made.

GEOTHERMAL OPERATIONS

After an initially challenging start to the financial year, 2013/14 saw Greenearth Energy suspend its local (Australian) Geothermal work program requirements until further notice. As documented in the quarterly reports, the team held various discussions with departments within the Victorian Government and the Federal Governments Australian Renewable Energy Agency (ARENA) around the current and future potential for Geothermal in Victoria and wider Australia which did not provide management with the confidence to progress these ventures at this point in time. The outlook for Geothermal continues to be a slow process and without direct support from the Federal or State Governments, we do not hold high expectations for industry developments. Additionally, the Victorian Government has a ban on both drilling and Hydraulic Fracturing which is due to be reviewed in the 2015 calendar year.

The ongoing discussions with the Victorian Government, specifically the Department of State Development, Business and Innovation ('DSDBI') (formerly the Department of Primary Industy), pertains to legislated requirements of the Geothermal Energy Resources Act 2005 and the renewal process for Geothermal leases. As announced in March 2014, Greenearth Energy secured a suspension of work program requirements from the Victorian Government for all three of its existing geothermal exploration permits, and an extension of permit terms as follows:

- Geothermal Exploration Permit 10 (located in the greater Geelong / Anglesea region)
- Geothermal Exploration Permit 12 (located in the greater Latrobe Valley region)
- Geothermal Exploration Permit 13 (located in the greater Latrobe Valley region)

Otway Basin: Geelong Geothermal Power Project ('GGPP') (GEP 10)

As announced on the 26th August 2013, Greenearth Energy received formal notification from the Australian Renewable Energy Agency (ARENA) that our Expression of Interest (EOI) for funding, applied for in March 2013, was unsuccessful. Subsequently, on 1 October 2013, GER received formal notification from the Victorian Government that the $25million grant under the Energy Technology Innovation Strategy ('ETIS') funding agreement had been terminated. Greenearth Energy maintains that the GGPP is a worthwhile geothermal prospect for Australia, however the work program requirements of this project are suspended until further notice given the Victorian Governments current position on Hydraulic Fracturing ('fraccing').

Gippsland Basin: Latrobe Valley (GEP 12 & GEP 13)

The Latrobe Valley is an exciting geothermal prospect as thick insulating coals overlay the hot sediments across this region. Greenearth is working with a consortium of Universities and Industry partners to develop an innovative geoscience program which will integrate advanced and emerging geological, geophysical and petrophysical technologies to understand the potential native productivity and the potential to enhance this through stimulation. Matrix, fracture and fault permeability will be differentiated and an advanced uncertainty analysis will be developed to quantify uncertainties.

Success will lead to greater exploration success for the Australian geothermal industry and a decision regarding a deep well in the Latrobe Valley by Greenearth Energy, however this project is suspended until further notice given the Victorian Governments current position on fraccing.

Indonesia

Geothermal resources are an increasingly significant source of renewable energy within Indonesia. It has been documented that the viable resource may be as high as 28,000 Megawatts(MW), representing 40% of the worlds potential resources. The Indonesian government is actively pursuing Geothermal Energy over the next 15 years, with the publicised target of wanting to produce more than 9,000MW by 2025, equating to 5% of the country's energy output.

Greenearth Energy maintains an interest in relation to continuing to explore the possibility of geothermal projects within Indonesia.

GEOTHERMAL RESERVES AND RESOURCES

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

The Inferred Geothermal Resources were announced in the 2009 Financial Year. While work is ongoing to continually revise and advance the category of our reserves and resources, they have not materially changed during the 2013/14 Financial Year.

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

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

Competent Persons

Anglesea (Geelong) and Wombat regions

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

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

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

Geelong Geothermal Power Project

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

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

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

In the opinion of the directors, there were no significant changes in the state of affairs of the group that occurred during the year other than those listed in the review of operations above.

AFTER BALANCE DATE EVENTS

Subsequent to the end of the period, the company issued a total of 1,200,000 unlisted incentive options to employees on 22 August 2014 persuant to the company's Employee Option Plan, as follows:

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

LIKELY DEVELOPMENTS

Greenearth Energy Ltd intends to continue to focus on our three main areas of business in 2014/15, being Energy Efficiency, NewCO2Fuels and, depending on Victorian Government decisions relating to the sector, our Geothermal resources in Australia. We will further grow and develop the energy efficiency business unit with a marketing and sales focus, along with the potential for additional aligned product ranges, while we look forward to seeing continued successful progress from the NewCO2Fuels technology team in Israel.

ENVIRONMENTAL REGULATION

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

DIVIDEND PAID, RECOMMENDED OR DECLARED

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

SHARE OPTIONS

Details of options over unissued ordinary shares granted by Greenearth Energy Ltd during or since the financial year end to directors and any of the 5 most highly remunerated officers of the company (other than the directors) are provided in the Remuneration Report which forms part of this Directors' Report.

Details of options outstanding over unissued ordinary shares of Greenearth Energy Ltd are provided in note 29 to the financial report.

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

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

DIRECTORS' MEETINGS

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

	Board of Directors		Audit Committee	
	Eligible to attend	Attended	Eligible to attend	Attended
R Annells	12	12	2	2
J Kopcheff	12	12	2	2
S Marks	12	12	-	-

DIRECTORS' INTERESTS IN SHARES OR OPTIONS

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

Directors' relevant interests in:		Ordinary shares of Greenearth Energy Ltd		Options over shares in Greenearth Energy Ltd	
		2014	2013	2014	2013
R Annells	Direct	-	-	-	-
	Indirect	6,312,883	6,312,883	-	-
J Kopcheff	Direct	2,524,810	2,524,810	-	-
	Indirect	2,928,572	2,928,572	-	-
S Marks	Direct	-	-	5,000,000	5,000,000
	Indirect	1,126,375	-	5,000,000	-
P Zajac	Direct	200,000	200,000	-	-
	Indirect	733,333	-	-	-

INDEMNIFICATION AND INSURANCE OF DIRECTORS, OFFICERS AND AUDITORS

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

PROCEEDINGS ON BEHALF OF THE CONSOLIDATED ENTITY

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

AUDITOR'S INDEPENDENCE DECLARATION

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

NON-AUDIT SERVICES

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

	2014 $	2013 $
Amounts paid and payable to Pitcher Partners (Melbourne) for non-audit services:		
Taxation services	71,002	59,220
Total auditors' remuneration for non-audit services	**71,002**	**59,220**

REMUNERATION REPORT (AUDITED)

The directors present the consolidated entity's 2014 remuneration report which details the remuneration information for Greenearth Energy Ltd's executive directors, non-executive directors and other key management personnel.

A. DETAILS OF KEY MANAGEMENT PERSONNEL

(i) Directors	*Position*
Robert Annells	Chairman - non executive
Leslie Erdi	Director - non executive (to 26 January 2013)
John Kopcheff	Director - non executive
Samuel Marks	Managing Director
Mark Miller	Director - non executive (to 7 June 2013)

(ii) Executives	*Position*
Urbain du Plessis	Chief Operating Officer - Energy Efficiency (from 1 October 2012)
Vicki Kahanoff	Chief Financial Officer (to 29 October 2012) and Company Secretary (to 31 December 2012)
Leslie Smith	Company Secretary (from 31 December 2012 to 2 July 2013)
Robert Smith	Chief Financial Officer (from 7 January 2013) and Company Secretary (from 2 July 2013)

B. REMUNERATION POLICIES

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

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

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

SERVICE AGREEMENTS

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

Service agreements – Executive Directors

Samuel Marks

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

Service agreements – Senior Executives

Service agreements are in place for the following Senior Executives and former Senior Executives: Urbain du Plessis, Vicki Kahanoff and Robert Smith.

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

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

C. DETAILS OF KEY MANAGEMENT PERSONNEL REMUNERATION

(a) Directors' remuneration

		SHORT-TERM			POST EMPLOY-MENT#	SHARE-BASED PAYMENTS		TOTAL	TOTAL PER-FORMANCE RELATED	OPTIONS AS % OF TOTAL
		Salary & Fees#	Cash Bonus	Non Monetary	Super-annuation	Equity Options*	Shares Issued#			
		$	$	$	$	$	$	$	%	%
R Annells	**2014**	**42,500**	**-**	**-**	**3,931**	**-**	**-**	**46,431**	**-**	**-**
	2013	42,500	-	-	3,825	-	-	46,325	-	-
L Erdi	**2014**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	2013	-	-	-	-	-	-	-	-	-
J Kopcheff	**2014**	**25,000**	**-**	**-**	**2,313**	**-**	**-**	**27,313**	**-**	**-**
	2013	25,000	-	-	2,250	-	-	27,250	-	-
S Marks	**2014**	**250,000**	**-**	**-**	**23,125**	**74,900**	**-**	**348,025**	**-**	**21.52%**
	2013	250,000	-	-	22,500	36,000	-	308,500	-	11.67%
M Miller	**2014**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	2013	131,674	-	745	11,370	30,000	-	173,789	-	17.26%
Total Directors' remuneration	**2014**	**317,500**	**-**	**-**	**29,369**	**74,900**	**-**	**421,769**		
	2013	449,174	-	745	39,945	66,000	-	555,864		

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

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

^ Share based payments represent either bonuses paid to the Managing Director or Executive Management via the issue of shares or Directors Fees and associated superannuation paid via the issue of shares.

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

C. DETAILS OF KEY MANAGEMENT PERSONNEL REMUNERATION (CONTINUED)

(b) Executives' remuneration

		SHORT-TERM			POST EMPLOY-MENT	SHARE-BASED PAYMENTS		TOTAL	TOTAL PER-FORMANCE RELATED	OPTIONS AS % OF TOTAL
		Salary & Fees	Cash Bonus	Non Monetary	Super-annuation	Equity Options*	Shares Issued			
		$	$	$	$	$	$	$	%	%
U du Plessis	**2014**	**133,694**	**-**	**3,921**	**12,729**	**17,800**	**-**	**168,144**	**-**	**10.59%**
	2013	103,211	-	-	9,289	21,000	-	133,500	-	15.73%
V Kahanoff	**2014**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	2013	62,764	-	1,999	5,649	-	-	70,412	-	-
L Smith	**2014**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	2013	-	-	-	-	-	-	-	-	-
R Smith	**2014**	**165,138**	**12,500**	**-**	**16,463**	**74,400**	**-**	**268,501**	**-**	**27.71%**
	2013	80,875	-	-	7,279	-	-	88,154	-	-
Total Executives' remuneration	**2014**	**298,832**	**12,500**	**3,921**	**29,192**	**92,200**	**-**	**436,645**		
	2013	246,850	-	1,999	22,217	21,000	-	292,066		

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

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

D. RELATIONSHIP BETWEEN REMUNERATION AND COMPANY PERFORMANCE

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

Consequences of company performance on shareholder wealth:

	2014	2013	2012	2011	2010
Revenue ($'000)	3,143	763	480	1,020	454
Loss before tax ($'000)	226	1,613	2,836	2,576	3,462
Change in share price (%)	+132%	-40%	-58%	+33%	-17%
Dividends paid to shareholders ($)	-	-	-	-	-
Return of capital ($)	-	-	-	-	-

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

(a) Details of compensation Options

		Grant Date	Granted Number	Value per option at grant date	Vest Number During the Year	Year in which option may be vested
			$	$		
DIRECTORS						
R Annells	**2014**		**-**	**-**	**-**	
	2013		-	-	-	
L Erdi	**2014**		**-**	**-**	**-**	
	2013		-	-	-	
J Kopcheff	**2014**		**-**	**-**	**-**	
	2013		-	-	-	
S Marks	**2014**	**18/12/2013**	**2,000,000**	**0.017**	**-**	**2014/15**
		18/12/2013	**3,000,000**	**0.014**	**-**	**2014/15**
	2013	20/12/2012	2,000,000	0.009	-	2013/14
		20/12/2012	3,000,000	0.006	-	2013/14
M Miller	**2014**		**-**	**-**	**-**	
	2013	20/12/2012	5,000,000	0.006	5,000,000	2012/13
EXECUTIVES						
U du Plessis	**2014**	**4/02/2014**	**500,000**	**0.036**	**-**	**2014/15**
	2013	1/10/2012	1,000,000	0.009	-	2013/14
		1/10/2012	2,000,000	0.006	-	2013/14
L Smith	**2014**		**-**	**-**	**-**	
	2013		-	-	-	
R Smith	**2014**	**4/02/2014**	**1,000,000**	**0.041**	**1,000,000**	**2013/14**
		4/02/2014	**1,000,000**	**0.034**	**1,000,000**	**2013/14**
	2013		-	-	-	
TOTAL DIRECTORS AND EXECUTIVES						
	2014		**7,500,000**		**2,000,000**	
	2013		13,000,000		5,000,000	

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

REMUNERATION REPORT (AUDITED)

Vest	Value Exercised During the Year	Forfeited	Terms and conditions for each grant			
			Exercise Price	Expiry Date	First Exercise Date	Last Exercise Date
%	$	%	$			
-	-	-	-			
-	-	-	-			
-	-	-	-			
-	-	-	-			
-	-	-	-			
-	-	-	-			
-	-	-	0.075	30/09/2018	1/07/2014	30/09/2018
-	-	-	0.10	30/09/2018	1/07/2014	30/09/2018
-	-	-	0.10	30/09/2017	20/12/2013	30/09/2017
-	-	-	0.15	30/09/2017	20/12/2013	30/09/2017
-	-	-	-			
100%	-	-	0.15	30/09/2017	20/12/2012	30/09/2017
-	-	-	0.15	2/02/2017	2/02/2015	2/02/2017
-	-	-	0.10	30/09/2017	1/10/2013	30/09/2017
-	-	-	0.15	30/09/2017	1/10/2013	30/09/2017
-	-	-	-			
-	-	-	-			
100%	-	-	0.15	30/09/2017	4/02/2014	30/09/2017
100%	-	-	0.20	30/09/2017	4/02/2014	30/09/2017
-	-	-	-			
27%	-	-				
38%	-	-				

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

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

(i) Directors' fees

The directors decided to defer payment of directors' fees and associated superannuation totalling $147,150 in respect of the year ended 30 June 2012, to conserve the company's cash reserves. Following approval from shareholders at the company's Annual General Meeting (AGM) in November 2012, outstanding directors' fees in respect of the year ended 30 June 2012 were settled via the issue of ordinary shares in Greenearth Energy. This resulted in the issue of 4,204,286 shares at 3.5 cents per share. No portion of this remuneration is related to company performance.

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

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

(ii) Grant of options to former Managing Director

Following approval from shareholders at the company's Annual General Meeting (AGM) in November 2012, 5,000,000 unlisted options were issued to former Managing Director Mr Mark Miller, in recognition of the contribution made by him during his period of employment as Managing Director. The options are options to subscribe for shares in the capital of Greenearth Energy Ltd, at an exercise price of 15 cents, and expire on 30 September 2017. No portion of this remuneration is related to company performance.

(iii) Grant of options to Managing Director

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

(iv) Grant of options to senior executives

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

3,000,000 unlisted options were issued to Key Management Personnel in the prior year in relation to employment with the company. The options are options to subscribe for shares in the capital of Greenearth Energy Ltd (comprising 1,000,000 at an exercise price of 10 cents and 2,000,000 options at an exercise price of 15 cents), expire on 30 September 2017, and vested on 1 October 2013 due to continuing employment with the company up until that date. No portion of this remuneration is related to company performance.

(c) Shares issued on exercise of compensation options

No compensation options were exercised during the year.

F. KEY MANAGEMENT PERSONNEL'S EQUITY HOLDINGS

(a) Number of options held by key management personnel

2014	Balance 1/7/2013	Granted as remun-eration	Options exercised	Net change other (purchases / expired)	Balance 30/6/2014	Total vested 30/6/2014	Total ex-ercisable 30/6/2014	Total unex-ercisable 30/6/2014
DIRECTORS								
R Annells	-	-	-	-	-	-	-	-
L Erdi	-	-	-	-	-	-	-	-
J Kopcheff	-	-	-	-	-	-	-	-
S Marks	5,000,000	5,000,000	-	-	10,000,000	5,000,000	5,000,000	5,000,000
M Miller	5,000,000	-	-	(5,000,000)	-	-	-	-
EXECUTIVES								
U du Plessis	3,000,000	500,000	-	-	3,500,000	3,000,000	3,000,000	500,000
V Kahanoff	-	-	-	-	-	-	-	-
L Smith	-	-	-	-	-	-	-	-
R Smith	-	2,000,000	-	-	2,000,000	2,000,000	2,000,000	-
	13,000,000	7,500,000	-	(5,000,000)	15,500,000	10,000,000	10,000,000	5,500,000

2013	Balance 1/7/2012	Granted as remun-eration	Options exercised	Net change other (purchases / expired)	Balance 30/6/2013	Total vested 30/6/2013	Total ex-ercisable 30/6/2013	Total unex-ercisable 30/6/2013
DIRECTORS								
R Annells	1,301,823	-	-	(1,301,823)	-	-	-	-
L Erdi	-	-	-	-	-	-	-	-
J Kopcheff	1,133,334	-	(133,334)	(1,000,000)	-	-	-	-
S Marks	-	5,000,000	-	-	5,000,000	-	-	5,000,000
M Miller	2,050,000	5,000,000	(50,000)	(2,000,000)	5,000,000	5,000,000	5,000,000	-
EXECUTIVES								
U du Plessis	-	3,000,000	-	-	3,000,000	-	-	3,000,000
V Kahanoff	1,000,000	-	-	(1,000,000)	-	-	-	-
L Smith	-	-	-	-	-	-	-	-
R Smith	-	-	-	-	-	-	-	-
	5,485,157	13,000,000	(183,334)	(5,301,823)	13,000,000	5,000,000	5,000,000	8,000,000

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

(b) Number of shares held by key management personnel

2014	Balance 1/7/2013	Issued as remuneration	On exercise of options	Net change other (purchases / disposals)	Balance 30/6/2014
DIRECTORS					
R Annells	6,312,883	-	-	-	6,312,883
L Erdi	-	-	-	-	-
J Kopcheff	5,453,382	-	-	-	5,453,382
S Marks	-	-	-	1,126,375	1,126,375
M Miller	2,400,000	-	-	-	2,400,000
EXECUTIVES					
V Kahanoff	248,333	-	-	-	248,333
L Smith	-	-	-	-	-
R Smith	-	-	-	-	-
	14,414,598	-	-	1,126,375	15,540,973

2013	Balance 1/7/2012	Issued as remuneration	On exercise of options	Net change other (purchases / disposals)	Balance 30/6/2013
DIRECTORS					
R Annells	3,665,740	2,647,143	-	-	6,312,883
L Erdi	-	-	-	-	-
J Kopcheff	3,762,905	1,557,143	133,334	-	5,453,382
S Marks	-	-	-	-	-
M Miller	2,350,000	-	50,000	-	2,400,000
EXECUTIVES					
U du Plessis	-	-	-	-	-
V Kahanoff	248,333	-	-	-	248,333
L Smith	-	-	-	-	-
R Smith	-	-	-	-	-
	10,026,978	4,204,286	183,334	-	14,414,598

G. LOANS TO KEY MANAGEMENT PERSONNEL

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

H. OTHER TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

An amount of $28,596 excluding GST (2013:$9,532) was paid by the group to Virtual and Illumination Engineering Services; a business associated with Mr U. du Plessis, a member of the key management personnel of the company in respect of research and development services provided by it to the group.

Amounts were paid to companies associated with Mr. S. R. Marks in respect of consulting services provided to the group prior to Mr Marks' commencement as Managing Director of Greenearth Energy Ltd on 1 July 2012. The amounts were $nil (2013:$17,625 excluding GST), paid by Greenearth Energy Ltd to Main Street Capital Pty Ltd, and $nil (2013:$46,125 excluding GST), paid by Greenearth Energy Ltd to Toroso Group Pty Ltd.

All amounts paid to related entities of key management personnel were charged on commercial and arms–length terms and conditions.

I. VOTING AND COMMENTS MADE AT THE COMPANY'S 2013 ANNUAL GENERAL MEETING (AGM)

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

End of Remuneration Report.

Signed in accordance with a resolution of the directors.

SAMUEL R MARKS

Managing Director

Greenearth Energy Ltd

Dated this 29th day of September 2014

Melbourne

PITCHER PARTNERS

AUDITOR'S INDEPENDENCE DECLARATION

TO THE DIRECTORS OF GREENEARTH ENERGY LTD

In relation to the independent audit for the year ended 30 June 2014, to the best of my knowledge and belief there have been:

(i) No contraventions of the auditor independence requirements of the *Corporations Act 2001;* and

(ii) No contraventions of any applicable code of professional conduct.

M J HARRISON
Partner
29 September 2014

PITCHER PARTNERS
Melbourne

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2014

	Notes	2014 $	2013 $
Revenue and other income			
Sales revenue	5	661,297	419,320
Other income	5	2,481,515	343,866
		3,142,812	763,186
Less: Expenses			
Employee benefits expense	6	(1,182,809)	(787,201)
Inventories sold or used		(580,286)	(433,616)
Depreciation and amortisation	6	(13,621)	(17,961)
Accounting and audit expenses		(161,175)	(203,969)
Marketing and promotion expenses		(44,315)	(26,683)
Rent and occupancy expenses		(159,587)	(185,531)
Consulting expenses		(68,196)	(169,515)
Unrealised loss on fair value of investments		-	(22,768)
Impairment expense	6	-	(189,329)
Administrative expenses	6	(628,136)	(382,267)
Other expenses	6	(110,949)	(62,375)
Total Expenses		**(2,949,074)**	**(2,481,215)**
Share of net losses of associates accounted for using the equity method	15	(419,850)	(105,287)
Loss before income tax expense		**(226,112)**	**(1,823,316)**
Income tax expense	7	-	-
Net loss from continuing operations	**6**	**(226,112)**	**(1,823,316)**
Net profit/(loss) from discontinued operations	9	-	210,318
Loss for the year		**(226,112)**	**(1,612,998)**
Other comprehensive income for the year		**-**	**-**
Total comprehensive income for the year		**(226,112)**	**(1,612,998)**
Loss is attributable to:			
Members of the parent		(226,112)	(1,612,016)
Non-controlling interest		-	(982)
		(226,112)	(1,612,998)
Earnings per share for loss from continuing operations attributable to equity holders of the parent entity:			
Basic loss per share (cents per share)	28	(0.16)	(1.58)
Diluted loss per share (cents per share)	28	(0.16)	(1.58)
Earnings per share for loss attributable to the equity holders of the parent entity:			
Basic loss per share (cents per share)	28	(0.16)	(1.40)
Diluted loss per share (cents per share)	28	(0.16)	(1.40)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2014

	Notes	2014 $	2013 $
Current assets			
Cash and cash equivalents	10	3,187,415	333,608
Receivables	11	353,925	892,207
Inventories	12	497,511	661,267
Other financial assets	13	69,826	62,760
Other current assets	14	8,716	8,291
Total current assets		4,117,393	1,958,133
Non-current assets			
Equity accounted investments	15	1,190,577	1,941,678
Property, plant and equipment	16	28,544	34,936
Exploration and evaluation assets	17	2,146,783	2,134,401
Total non-current assets		3,365,904	4,111,015
Total assets		7,483,297	6,069,148
Current liabilities			
Payables	18	891,620	898,263
Other financial liabilities	19	530,786	-
Purchase option	20	-	1,610,921
Advance on purchase option	21	-	2,000,000
Provisions	22	64,424	29,744
Total current liabilities		1,486,830	4,538,928
Non-current liabilities			
Provisions	22	25,372	17,661
Total non-current liabilities		25,372	17,661
Total liabilities		1,512,202	4,556,589
Net assets		5,971,095	1,512,559
Equity			
Share capital	23	19,716,215	15,242,580
Reserves	24	(37,521)	(248,534)
Accumulated losses	24	(13,667,262)	(13,441,150)
Equity attributable to the owners of Greenearth Energy Ltd		6,011,432	1,552,896
Non-controlling interests		(40,337)	(40,337)
Total equity		5,971,095	1,512,559

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2014

Consolidated entity	Share capital	Reserves	Accumulated losses	Non-controlling interest	Total Equity
	$	$	$	$	$
Year ended 30 June 2014					
Balance as at 1 July 2013	**15,242,580**	**(248,534)**	**(13,441,150)**	**(40,337)**	**1,512,559**
Loss for the year	-	-	(226,112)	-	(226,112)
Total comprehensive income for the year	**-**	**-**	**(226,112)**	**-**	**(226,112)**
Transactions with owners in their capacity as owners:					
Contributions	4,521,385	-	-	-	4,521,385
Costs of raising capital	(47,750)	-	-	-	(47,750)
Equity based payments	-	211,013	-	-	211,013
	4,473,635	**211,013**	**-**	**-**	**4,684,648**
Balance as at 30 June 2014	**19,716,215**	**(37,521)**	**(13,667,262)**	**(40,337)**	**5,971,095**
Year ended 30 June 2013					
Balance as at 1 July 2012	**15,010,591**	**410,400**	**(12,239,534)**	**(242,824)**	**2,938,633**
Loss for the year	-	-	(1,612,016)	(982)	(1,612,998)
Total comprehensive income for the year	**-**	**-**	**(1,612,016)**	**(982)**	**(1,612,998)**
Transactions with owners in their capacity as owners:					
Contributions	35,962	-	-	-	35,962
Transactions with non controlling interests	48,877	(302,521)	-	203,469	(50,175)
Transfers from reserves	-	(410,400)	410,400	-	-
Equity based payments	147,150	53,987	-	-	201,137
	231,989	**(658,934)**	**410,400**	**203,469**	**186,924**
Balance as at 30 June 2013	**15,242,580**	**(248,534)**	**(13,441,150)**	**(40,337)**	**1,512,559**

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2014

	Notes	2014 $	2013 $
Cash flow from operating activities			
Receipts		766,082	627,646
Payments to suppliers and employees		(2,674,268)	(2,166,208)
Research and develoment rebates received		281,291	213,193
Interest received		11,681	4,165
Net cash used in operating activities	25(a)	(1,615,214)	(1,321,204)
Cash flow from investing activities			
Purchase of property, plant and equipment		(7,229)	(1,313)
Purchase of unlisted securities		(586,482)	(88,635)
Payments for bonds and deposits		(54,124)	(54,124)
Proceeds from matured bonds and deposits		54,124	54,124
Proceeds from disposal of discontinued operation		-	50,179
Net cash used in investing activities		(593,711)	(39,769)
Cash flow from financing activities			
Proceeds from issues of ordinary shares		4,521,385	35,962
Advance from issue of option		600,100	1,250,000
Capital raising costs		(47,750)	-
Net cash provided by financing activities		5,073,735	1,285,962
Net increase/(decrease) in cash and cash equivalents		2,864,810	(75,011)
Foreign exchange differences on cash holdings		(11,003)	1,759
Cash and cash equivalents at beginning of year		333,608	406,860
Cash and cash equivalents at end of the year	25(b)	3,187,415	333,608

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

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2014

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation of the financial report

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

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

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

Compliance with IFRS

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

Historical cost convention

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

Critical accounting estimates

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

(b) Going Concern

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

The consolidated entity incurred a net loss for the year of $226,112 (2013: $1,612,998) and at the reporting date total assets exceeded total liabilities by $5,971,095 (30 June 2013: $1,512,559), including exploration and evaluation assets of $2,146,783 (30 June 2013: $2,134,401).

The Directors have determined that there may be a net cash requirement of $1,001,000 over the forthcoming 12 months to maintain operations, after allowing for existing cash reserves and contracted upcoming cash receipts. The Directors anticipate that this potential net cash requirement of $1,001,000 is to be funded by a combination of the net operating cash flow of Greenearth Energy Efficiency Pty Ltd ("GEE", a company within the consolidated group), raising additional capital, and other funding avenues such as continued development of other renewable technologies and expanding revenue streams.

The anticipated revenue growth (and consequent cash flow contribution) of GEE over the next 12 months is based on certain assumptions in relation to the short-term development of the business. These assumptions relate to the expected future revenue and profitability of GEE during that time and are based on currently available information including management assessments of probable future orders and other information.

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

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

(c) Principles of consolidation

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

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

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

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

(d) Revenue

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

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

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2014

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

(e) Cash and cash equivalents

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

(f) Inventories

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

(g) Property, plant and equipment

Cost and valuation

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

Depreciation

The depreciable amounts of all fixed assets are calculated using the diminishing balance method over their estimated useful lives commencing from the time the asset is held ready for use.

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

The useful lives for each class of assets are:

	2014	2013
Computer equipment	3 years	3 years
Office equipment	6 years	6 years
Leasehold improvements	the lease term	the lease term

(h) Exploration and evaluation costs

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

The impairment testing has been aligned with the factors that must currently be satisfied for capitalisation of exploration and evaluation costs.

Exploration expenses are recognised on a net basis, after offsetting grant income and exploration expenditure written off.

Costs carried forward in respect of an area of interest that is abandoned are written off in the year in which the decision to abandon is made.

Amortisation

The entity does not currently have any production areas.

Restoration costs

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

(i) Leases

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

Operating leases

Lease payments for operating leases are recognised as an expense on a straight-line basis over the term of the lease. The group currently has no equipment rental operating leases.

The group currently has no finance leases.

(j) Business combinations

A business combination is a transaction or other event in which an acquirer obtains control of one or more businesses and results in the consolidation of the assets and liabilities acquired. Business combinations are accounted for by applying the acquisition method.

The consideration transferred is determined as the aggregate of fair values of assets given, equity issued and liabilities assumed in exchange for control.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Goodwill is recognised initially at the excess over the aggregate of the consideration transferred and the acquisition date fair value of the acquirer's previously held equity interest (in case of step acquisition), less the fair value of the identifiable assets acquired and liabilities assumed.

If the fair value of the acquirer's interest is greater than the aggregate of the consideration transferred, the fair value of the non-controlling interest, and the acquisition date fair value of the acquirer's previously held equity interest (in case of step acquisition), the surplus is immediately recognised in the statement of comprehensive income.

Acquisition related costs are expensed as incurred.

(k) Intangibles

Research and development

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

Expenditure on development activities is capitalised only when technical feasibility studies demonstrate that the project will deliver future economic benefits and these benefits can be measured reliably. Capitalised development expenditure is stated at cost less accumulated amortisation. Amortisation commences when the intangible asset is available for use. Other development expenditure is recognised as an expense when incurred.

(l) Impairment of non-financial assets

Assets with an indefinite useful life are not amortised but are tested annually for impairment in accordance with AASB 136. Assets subject to annual depreciation or amortisation are reviewed for impairment whenever events or circumstances arise that indicate that the carrying amount of the asset may be impaired.

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

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

(m) Income tax

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

Deferred tax balances

Deferred tax assets and liabilities are recognised for temporary differences at the applicable tax rates when the assets are expected to be recovered or liabilities are settled. No deferred tax asset or liability is recognised in relation to temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

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

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

Tax consolidation

Greenearth Energy Limited and its wholly-owned Australian resident entities formed a tax-consolidated group with effect from 1 July 2012. Greenearth Energy Limited is the head entity of the tax-consolidated group. The members of the tax-consolidated group are identified in note 30.

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

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

(n) Provisions

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

(o) Employee benefits

(i) Short-term employee benefit obligations

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

(ii) Long-term employee benefit obligations

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

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2014

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

(iii) Retirement benefit obligations

Defined contribution superannuation plans:

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

(iv) Bonus plan

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

(v) Share-based payments

The consolidated entity operates a share-based payment employee share option plan. The fair value of the equity to which employees become entitled is measured at grant date and recognised as an expense over the vesting period, with a corresponding increase to an equity account. The fair value of shares is measured at the market bid price at grant date. In respect of share-based payments that are dependent on the satisfaction of performance conditions, the number of shares and options expected to vest is reviewed and adjusted at each reporting date. The amount recognised for services received as consideration for these equity instruments granted is adjusted to reflect the best estimate of the number of equity instruments that eventually vest.

(p) Third party share-based payments

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

(q) Financial instruments

Classification

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

Non-derivative financial instruments

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

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

Financial assets at fair value through profit or loss

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

Held-to-maturity investments

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

Loans and receivables

Loans and receivables are measured at fair value at inception and subsequently at amortised cost using the effective interest rate method.

Available-for-sale

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

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

Financial liabilities

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

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

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

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2014

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets

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

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

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

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

(r) Investments in associates

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

The consolidated entity's interests in associates are brought to account using the equity method after initially being recognised at cost. Under the equity method, the profits or losses of the associate is recognised in profit or loss and the share of other comprehensive income items is recognised in other comprehensive income. Details relating to associates are set out in Note 15(a).

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

(s) Share capital

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

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

(t) Foreign currency

Functional and presentation currency

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

Transactions and balances

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

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

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

Foreign subsidiaries

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

- Assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
- Income and expenses are translated at actual exchange rates or average exchange rates for the period, where appropriate; and
- All resulting exchange differences are recognised as a separate component of equity.

(u) Comparatives

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

(v) 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 Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

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

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2014

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) Adoption of new and amended accounting standards that are first operative at 30 June 2014

AASB 10: Consolidated Financial Statements

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

The consolidated entity concluded that the adoption of AASB 10 did not change the consolidation status of its subsidiaries. Therefore, no adjustments to any of the carrying amounts were required.

AASB 11: Joint Arrangements

Under AASB 11, investments in joint arrangements are classified as either joint operations or joint ventures depending on the rights and obligations of the parties to the arrangement, rather than the legal structure of joint arrangements.

If the parties share the right to the net assets of the joint arrangement, these parties are parties to a joint venture. A joint venturer accounts for an investment in the arrangement using the equity method, and the choice to proportionately consolidate is no longer be permitted.

If the parties share the right to the separate assets and obligations for the liabilities of the joint arrangement, these parties are parties to a joint operation. A joint operator accounts for assets, liabilities and corresponding revenues and expenses arising from the arrangement by recognising their share of interest in each item.

The consolidated entity concluded that the adoption of AASB 11 had no impact on the composition or performance of the consolidated entity. Therefore, no adjustments to any of the carrying amounts were required.

AASB 12: Disclosure of Interests in Other Entities

AASB 12 sets new minimum disclosure requirements for interest in subsidiaries, joint arrangements, associates and unconsolidated structured entities. Disclosures required under AASB 12 are provided in Note 15: Equity Accounted Investments and Note 30: Interests In Subsidiaries.

AASB 13: Fair Value Measurement

AASB 13 introduces a fair value framework for all fair value measurements as well as the enhanced disclosure requirements. Application of AASB 13 does not materially change the company's fair value measurements. However, the additional disclosures required under AASB 13 are provided in Note 4: Fair Value Measurements.

AASB 119: Employee Benefits

The amendments to AASB 119 revise the definitions of short term and long term employee benefits, placing the emphasis on when the benefit is expected to be settled rather than when it is due to be settled. The group has assessed its impact and concludes that the adoption of AASB 119 has no material effect on the amounts recognised in current or prior years.

No other new and amended accounting standards effective for the financial year beginning 1 July 2013 affected any amounts recorded in the current or prior year.

(x) Accounting standards and interpretations Issued but not Operative at 30 June 2014

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

(i) AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9, AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010), AASB 2012-6 Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosure and AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments (effective from 1 January 2017)

AASB 9 Financial Instruments improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. When adopted, the standard could change the classification and measurement of financial assets. AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income for equity investments that are not held for trading. In the current reporting period, the group did not recognise any amounts in other comprehensive income in relation to the movements in the fair value of available for sale financial assets, which are not held for trading.

Most of the requirements for financial liabilities were carried forward unchanged. However, some changes were made to the fair value option for financial liabilities to address the issue of own credit risk. The consolidated entity does not have any financial liabilities that are designated at fair value through profit or loss. The new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss. Therefore, there will be no impact on the consolidated entity's accounting for financial liabilities.

In December 2013, new general hedge accounting requirements were incorporated into AASB 9. The new model aligns hedge accounting more closely with risk management, and will be easier to apply and reduce the costs of implementation. However, the new model requires extended disclosure. The standard is not applicable until 1 January 2017 but is available for early adoption. The consolidated entity has yet to assess the impact of new general hedge accounting model on its hedge arrangements. The consolidated entity has decided not to early adopt AASB 9 at 30 June 2014.

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

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2014

NOTE 2: CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

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

(b) Income tax

Deferred tax assets and liabilities are based on the assumption that no adverse change will occur in the income tax legislation and the anticipation that the group will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Deferred tax assets arising from tax losses are not recognised at balance date as realisation of the benefit is not probable.

(c) Fair value measurements

Certain financial assets and liabilities are measured at fair value. Fair values have been determined in accordance with fair value measurement hierarchy. Refer to Note 4 for the details of the fair value measure key assumptions and inputs.

(d) Employee benefits

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

(e) Share based payments

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

(f) Deferred exploration expenditure

Exploration expenditure is carried forward when management expect that the expenditure can be recouped through successful development and exploration of the area of interest. In this event management will consider impairment of deferred exploration expenditure in accordance with note 1(h) and 1(k).

Where sufficient data does not exist to indicate successful development and there is an ongoing commitment to significant exploration in the area of interest, the exploration expenditure is carried forward.

(g) Provision for restoration costs

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

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2014

NOTE 3: FINANCIAL RISK MANAGEMENT

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

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

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

The consolidated entity holds the following financial instruments:

	Note	2014 $	2013 $
Financial assets			
Cash and cash equivalents	10	3,187,415	333,608
Receivables	11	353,925	892,207
Financial assets at fair value through profit and loss classified as held for trading	13	15,702	8,636
Security deposits for exploration permits	13	54,124	54,124
		3,611,166	1,288,575
Financial liabilities			
Payables	18	891,620	898,263
Other financial liabilities	19	530,786	-
		1,422,406	898,263

(a) Market price risk

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

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

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

Sensitivity

If security prices were to increase/decrease by 10% from fair values as at the reporting date, assuming all other variables that might impact on fair value remain constant, then the impact on profit for the year and equity is below. This risk is managed by monitoring security prices on a regular basis.

	2014 $	2013 $
+/- 10% price variation		
Impact on profit or loss after tax	1,570	864
Impact on equity	1,570	864

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2014

NOTE 3: FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Currency risk

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

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

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

	Liabilities		Assets	
	2014	**2013**	**2014**	**2013**
Unites States Dollar (USD)	732,388	20,558	501,274	539

Sensitivity

If foreign exchange rates were to increase/decrease by 10% from rates used to determine fair values of all financial instruments as at the reporting date, assuming all other variables that might impact on fair value remain constant, then the impact on profit for the year and equity is as follows. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 10% change in foreign exchange rates.

	2014 $	**2013 $**
10% appreciation of AUD against USD		
Impact on profit or loss after tax	24,534	2,158
Impact on equity	24,534	2,158
10% depreciation of AUD against USD		
Impact on profit or loss after tax	(24,534)	(2,158)
Impact on equity	(24,534)	(2,158)

(c) Interest rate risk

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

The company does not currently have any interest bearing debt. Cash deposits attract interest at the prevailing floating interest rates, which for interest bearing deposits is currently 3.2%.

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

(d) Credit risk

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

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

The consolidated entity's only material credit risk exposure to any single receivable or group of receivables under financial instruments entered into by the entity is $nil (2013: $600,000) due from Erdi Fuels Pty Ltd and is disclosed in Note 11.

i) Cash deposits

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

ii) Trade receivables

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

iii) Other receivables

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

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2014

NOTE 3: FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Liquidity risk

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

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

Maturity analysis

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

	< 6 Months	6-12 months	1-5 years	Total contractual cash flows
	$	$	$	$
Cash and cash equivalents	3,187,415	-	-	3,187,415
Receivables	414,550	-	-	414,550
Other financial assets	69,826	-	-	69,826
Payables	(843,820)	(47,800)	-	(891,620)
Other financial liabilities	(530,786)	-	-	(530,786)
Net maturities	2,297,185	(47,800)	-	2,249,385

For all items shown above, the carrying amounts are equal to the total contractual cash flows, except receivables. Details of adjustments to the carrying amount of receivables are detailed in note 11.

For clarity Directors emphasise that amounts disclosed at Notes 20 & 21 are deferred revenue and not future cash obligations.

(f) Fair values compared to carrying amounts

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

NOTE 4: FAIR VALUE MEASUREMENTS

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

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: Input other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Inputs for the asset or liability that are not based on observable market data

All financial assets at fair value through profit or loss totalling $15,702 (2013: $8,636) as disclosed in Note 13 are classified as Level 1 items in the fair value hierarchy. There were no transfers between level 1 and level 2 during the year.

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2014

	Notes	2014 $	2013 $
NOTE 5: REVENUE AND OTHER INCOME			
Revenue from continuing operations			
Sales revenue			
Sales of goods		661,297	419,320
Other income			
Gain recognised on change in ownership of associate	15(b)	2,161,151	-
Interest		11,123	3,552
Net foreign exchange gain		16,308	-
Rental income		12,000	11,000
Research and development tax concession rebate		203,091	269,734
Unrealised gain on fair value of investments		7,066	-
Other income		70,776	59,580
		2,481,515	343,866
NOTE 6: LOSS FROM CONTINUING OPERATIONS			
Loss from continuing operations before income tax has been determined after the following specific expenses:			
Employee benefits expense			
Share-based payments expense	(a)	211,013	53,987
Directors' fees	(b)	-	131,795
Other employee benefits		971,796	601,419
		1,182,809	787,201
(a) Share-based payments expenses represents the non-cash notional value of equity options - refer to note 1(o).			
(b) For further information on Directors' fees, refer to part (E)(b) of the Remuneration Report within the Directors' Report.			
Depreciation and amortisation of non-current assets			
Office equipment	16(a)	190	271
Computer equipment	16(a)	2,917	1,926
Leasehold improvements	16(a)	10,514	15,764
		13,621	17,961
Impairment expense			
Impairment of trade receivables		-	60,625
Impairment of investments and other receivables		-	128,704
		-	189,329

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2014

	Notes	2014 $	2013 $
NOTE 6: LOSS FROM CONTINUING OPERATIONS (CONTINUED)			
Administrative expenses			
Travel and accommodation		84,669	58,724
Share registry costs		134,391	50,427
Legal fees		72,622	24,708
Insurance premiums		80,757	82,806
General and office expenses		255,697	165,604
		628,136	382,269
Other expenses			
Writedowns of inventory to net realisable value		7,124	24,870
Net foreign exchange loss		-	5,286
Product research		101,871	32,219
Warranty expenses		1,954	-
		110,949	62,375
NOTE 7: INCOME TAX			
(a) Components of tax expense			
Current tax		-	-
Deferred tax		-	-
Under/(over) provision in prior years		-	-
		-	-
(b) Prima facie tax payable			
The prima facie tax payable on profit/(loss) before income tax is reconciled to the income tax expense as follows:			
Profit/(loss) before tax from continuing operations		(226,112)	(1,823,316)
Profit/(loss) before tax from discontinued operations		-	210,318
Total profit/(loss) before income tax		(226,112)	(1,612,998)
Prima facie income tax benefit on loss before income tax at 30% (2013: 30%):		(67,834)	(483,899)
Add/(less) tax effect of:			
Movement in deferred tax assets not brought to account	7(c)	116,299	603,545
Non deductible and non assessable items		(48,465)	(119,646)
Income tax expense attributable to loss		-	-
(c) Deferred tax assets not brought to account			
Tax losses and temporary differences		2,366,738	3,801,599

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2014

NOTE 8: DIVIDENDS

No dividends have been paid or provided for in respect of the financial year.

NOTE 9: DISCONTINUED OPERATION

In 2012, following the completion of a diagnostic review of all aspects of the company, it was concluded that even though there is a growing demand for waste heat recovery technology, due to long project establishment lead-times and low margins, the business unit, Pacific Heat and Power held no strategic value for the company.

The company entered into a sale agreement on 11 July 2012 with a sale price of $78,405, which was collected to a value of $54,883. The gain on sale is shown below.

The results of the discontinued operation for the period until disposal are presented below:

	Notes	2014 $	2013 $
(i) Financial performance information			
Revenue		-	-
Expenses		-	-
Loss before income tax		-	-
Income tax expense		-	-
Loss after income tax of discontinued operation		-	-
Gain on sale of discontinued operation before income tax	(iv)	-	210,318
Income tax expense		-	-
Gain on sale of discontinued operation after income tax		-	210,318
Profit/(loss) from discontinued operation		-	210,318
(ii) Cash flow information			
Net cash provided by/(used in) operating activities		-	-
Net cash provided by/(used in) investing activities		-	-
Net cash provided by/(used in) financing activities		-	-
Net cash flow		-	-
(iii) Carrying amount of assets and liabilities			
Assets			
Cash		-	-
Receivables		-	-
		-	-

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2014

	Notes	2014 $	2013 $
NOTE 9: DISCONTINUED OPERATION (CONTINUED)			
Liabilities			
Payables		-	-
		-	-
Net assets attributable to discontinued operation		-	-
(iv) Details of discontinued operation disposed			
Consideration received or receivable			
Cash		-	-
Fair value of contingent consideration		-	54,883
Total disposal consideration		-	54,883
Less: net (assets)/deficiency disposed of		-	155,435
Gain on disposal of discontinued operation before tax		-	210,318
Income tax expense		-	-
Gain on disposal of discontinued operation		-	210,318
NOTE 10: CASH AND CASH EQUIVALENTS			
Cash at bank		3,186,866	333,109
Cash on hand		549	499
		3,187,415	333,608
NOTE 11: RECEIVABLES			
Current		64,627	65,432
Trade receivables		(60,625)	(60,625)
Less: provision for impairment	(a)	4,002	4,807
		349,923	887,400
Other receivables		353,925	892,207

(a) Provision for impairment

(i) Trade receivables

Trade receivables are non-interest bearing and usually have 30 day terms. An impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired. The impairment losses have been included within Impairment Expense in the consolidated statement of comprehensive income. All trade receivables that are not impaired are expected to be received within trading terms.

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2014

	Notes	2014 $	2013 $
NOTE 11: RECEIVABLES (CONTINUED)			

(ii) Other receivables

Other receivables includes rebates receivable from the Australian Taxation office and, in 2013, amounts due from Erdi Fuels Pty Ltd, the payment terms of which are identified in Note 21. All other receivables that are not impaired are expected to be received within payment terms.

	2014 $	2013 $
Movements in the provision for impairment were:		
Opening balance at 1 July	60,625	-
Charge for the year	-	60,625
Amounts written off	-	-
Closing balance at 30 June	60,625	60,625

Trade and other receivables ageing analysis at 30 June is:	Gross $	Impairment $
Balances as at 30 June 2014:		
Not past due	313,890	-
Past due 31-60 days	21,296	-
Past due 61-90 days	-	-
Past due more than 91 days	79,364	60,625
	414,550	60,625
Balances as at 30 June 2013:		
Not past due	892,207	-
Past due 31-60 days	-	-
Past due 61-90 days	-	-
Past due more than 91 days	60,625	60,625
	952,832	60,625

NOTE 12: INVENTORIES	Notes	2014 $	2013 $
Inventories at cost:			
- on hand		189,260	368,916
- on consignment		108,520	292,351
- in transit		199,731	-
		497,511	661,267
Write downs of inventories to net realisable value recognised as an expense during the year.		7,124	24,870

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2014

	Notes	2014 $	2013 $
NOTE 13: OTHER FINANCIAL ASSETS			
Current			
Financial assets at fair value through profit and loss classified as held for trading:			
Shares in listed entities		15,702	8,636
Total financial assets at fair value through profit and loss		15,702	8,636
Security deposits for exploration permits		54,124	54,124
		69,826	62,760

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

	Notes	2014 $	2013 $
NOTE 14: OTHER ASSETS			
Prepayments		8,716	5,143
Accrued interest		-	3,148
		8,716	8,291
NOTE 15: EQUITY ACCOUNTED INVESTMENTS			
Equity accounted associated entities	(a)	1,190,577	1,941,678

(a) Associated entities

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

Associates	Equity instrument	Ownership interest 2014 %	Ownership interest 2013 %	Carrying amounts 2014 $	Carrying amounts 2013 $
NewCO2Fuels Limited	Ordinary shares	33.33%	50%	1,157,412	1,931,642
PT Geopower Indonesia	Ordinary shares	40%	40%	33,165	10,036
				1,190,577	1,941,678

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

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

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2014

	Notes	2014 $	2013 $
NOTE 15: EQUITY ACCOUNTED INVESTMENTS (CONTINUED)			
(a) Summarised financial information for associates			
Summarised financial information in respect of each of the Group's material associates is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with AASBs adjusted by the Group for equity accounting purposes.			
(i) NewCO2Fuels Ltd			
Current assets		911,793	392,448
Non-current assets		5,999,645	3,966,939
Current liabilities		291,675	241,534
Non-current liabilities		6,109,691	3,263,802
Revenue		-	985,028
Net profit/(loss) from continuing operations		(690,586)	114,146
Other comprehensive income		-	-
Total comprehensive income		(690,586)	114,146
Reconciliation of the above summarised financial information to the carrying amount of the interest in NewCO2Fuels Ltd recognised in the consolidated financial statements:			
Net assets of the associate		510,072	854,051
Proportion of the Group's ownership interest in NewCO2Fuels Ltd		33.33%	50%
Group's share of net assets		170,007	427,026
Goodwill and other adjustments including unrealised currency translation impacts		987,405	1,504,617
Carrying amount of the Group's interest in NewCO2Fuels Ltd		1,157,412	1,931,642
(ii) PT Geopower Indonesia			
Net loss from continuing operations		(72,629)	(81,338)
Other comprehensive income		-	-
Total comprehensive income		(72,629)	(81,338)

NOTE 15: EQUITY ACCOUNTED INVESTMENTS (CONTINUED)

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

(i) Investment disposed during the year - NewCO2Fuels Ltd

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

	Notes	2014 $	2013 $
Proceeds of disposal		3,611,021	-
Less: carrying amount of investment at disposal		(1,449,870)	-
Gain recognised		2,161,151	-

(ii) Investment acquired during the year - NewCO2Fuels Ltd

In June 2014, the Group entered into an agreement to acquire a 33.33% interest in NewCO2Fuels Ltd (concurrent with the disposal of its previous 50% interest, as described above). The new investment allows the Group to invest up to USD $3m by January 2015, with a minimum investment of USD $1m. The Group's 33.33% interest is subject to partial claw-back should less than USD $3m ultimately be invested by the Group. The maximum possible claw-back would result in the Group retaining an interest of 17.81% instead of 33.33%.

The minimum new investment amount is recognised at balance date as an investment in associate, with the unpaid portion of the minimum investment recognised as a liability (refer note 19). The difference between the total investment amount and the minimum investment amount represents a contingent asset and a contingent liability as follows:

	Notes	2014 $	2013 $
Contingent asset relating to interest in associate		2,123,142	-
Contingent liability relating to interest in associate		2,123,142	-

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2014

	Notes	2014 $	2013 $
NOTE 16: PROPERTY PLANT AND EQUIPMENT			
Office equipment			
At cost		3,409	3,409
Accumulated depreciation		(2,934)	(2,744)
		475	665
Computer equipment			
At cost		24,190	16,961
Accumulated depreciation		(17,181)	(14,264)
		7,009	2,697
Leasehold equipment			
At cost		222,155	222,155
Accumulated amortisation		(201,095)	(190,581)
		21,060	31,574
Total plant and equipment		28,544	34,936
(a) Reconciliations			
Reconciliations of the carrying amounts of property, plant and equipment at the beginning and end of the current financial year			
Office equipment			
Carrying amount at beginning of year		665	936
Depreciation		(190)	(271)
Carrying amount at end of year		475	665
Computer equipment			
Carrying amount at beginning of year		2,697	3,310
Additions		7,229	1,313
Depreciation		(2,917)	(1,926)
Carrying amount at end of year		7,009	2,697
Leasehold improvements			
Carrying amount at beginning of year		31,574	47,338
Depreciation		(10,514)	(15,764)
Carrying amount at end of year		21,060	31,574

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2014

	Notes	2014 $	2013 $
NOTE 17: EXPLORATION AND EVALUATION ASSETS			
At cost		2,146,783	2,134,401
(a) Reconciliation			
Opening balance		2,134,401	2,111,965
Net expenditure incurred during the year		21,651	31,868
Offsets from rebates and grants		(9,269)	(9,432)
Closing balance		2,146,783	2,134,401

The ultimate recoupment of exploration and evaluation assets is dependent on the successful development and commercial exploitation or sale of the respective areas of interest.

	Notes	2014 $	2013 $
NOTE 18: PAYABLES			
Trade payables		329,507	86,501
Amounts payable to related parties	31(b)	54,136	133,985
Accrued inventory purchases		120,152	342,108
Other payables		387,825	335,669
		891,620	898,263

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

	Notes	2014 $	2013 $
NOTE 19: OTHER FINANCIAL LIABILITIES			
Consideration payable		530,786	-

Consideration payable represents the balance of the minimum investment amount owing at 30 June 2014 to NewCO2Fuels Ltd (an associate of the Group) in accordance with an agreement to potentially ultimately acquire a 33.33% interest in NewCO2Fuels Ltd, as described in note 15(b)(ii).

	Notes	2014 $	2013 $
NOTE 20: PURCHASE OPTION			
Purchase Option (deferred revenue)	15(b)(i)	-	1,610,921
NOTE 21: ADVANCE ON PURCHASE OPTION			
Advance on Purchase Option (deferred revenue)	15(b)(i)	-	2,000,000

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2014

	Notes	2014 $	2013 $
NOTE 22: PROVISIONS			
Current			
Employee benefits		64,424	29,744
Non-current			
Employee benefits		10,372	2,661
Restoration costs		15,000	15,000
		25,372	17,661
Aggregate employee benefits liability		74,796	32,405
NOTE 23: SHARE CAPITAL			
(a) Issued and paid up capital			
197,580,003 (2013: 118,801,598) ordinary shares fully paid		19,716,215	15,242,580

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

(b) Movements in shares on issue

	Number of shares		$	
	2014	2013	2014	2013
Beginning of the financial year	118,801,598	112,350,680	15,242,580	15,010,591
Shares issued during the year:				
- Placement (i)	27,739,910	-	693,498	-
- Placement (ii)	43,233,330	-	3,242,500	-
- Share Purchase Plan (iii)	7,805,165	-	585,387	-
- Exercise of options (iv)	-	719,222	-	35,962
- Directors and employees (v)	-	4,204,286	-	147,150
- Consideration for acquisition (vi)	-	1,527,410	-	48,877
Transaction costs of equity issued		-	(47,750)	-
End of the financial year	197,580,003	118,801,598	19,716,215	15,242,580

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

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

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

(iv) 719,222 shares were issued during the prior year for 5 cents per share as a result of exercise of unlisted options.

NOTE 23: SHARE CAPITAL (CONTINUED)

(b) Movements in shares on issue (continued)

(v) 4,204,286 shares were issued during the prior year for 3.5 cents per share in lieu of Directors' fees and associated superannuation applicable to the financial year ended 30 June 2012. Refer to section E(b) of the Remuneration Report within the Directors' Report.

(vi) 1,527,410 shares were issued during the prior year for 3.2 cents per share as partial consideration for the acquisition of the remaining equity interest in Greenearth Energy Efficiency Pty Ltd. Refer note 31(b).

(c) Terms and conditions of share capital

Ordinary shares

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

(d) Share options

Options over ordinary shares:

(i) Options issued to directors and employees

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

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

Details of options issued to directors and employees are provided in note 29(a).

(e) Capital management

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

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2014

	Notes	2014 $	2013 $
NOTE 24: RESERVES AND ACCUMULATED LOSSES			
Employee equity benefits reserve	(a)	265,000	53,987
Transactions with non-controlling interests reserve	(b)	(302,521)	(302,521)
Total reserves		(37,521)	(248,534)
Accumulated losses	(c)	13,667,262	13,441,150

(a) Employee equity benefits reserve

(i) Nature and purpose of reserve

This reserve represents the fair value of options granted to staff and directors as detailed in Notes 23(d)(i) and 29(a).

(ii) Movements in reserve

	2014 $	2013 $
Balance at beginning of year	53,987	290,400
Expiry of options	-	(290,400)
Issue of options to directors and employees	211,013	53,987
Balance at end of year	265,000	53,987

(b) Transactions with non-controlling interests reserve

(i) Nature and purpose of reserve

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

(ii) Movements in reserve

	2014 $	2013 $
Balance at beginning of year	(302,521)	-
Acquisition of shares in subsidiaries	-	(302,521)
Balance at end of year	(302,521)	(302,521)

(c) Accumulated losses

	2014 $	2013 $
Balance at beginning of year	13,441,150	12,239,534
Transfer from third party options reserve	-	(120,000)
Transfer from employee equity benefits reserve	-	(290,400)
Net loss attributable to members of the parent	226,112	1,612,016
Balance at end of year	13,667,262	13,441,150

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2014

	Notes	2014 $	2013 $
NOTE 25: CASH FLOW INFORMATION			
(a) Reconciliation of cash flow from operations to loss after income tax			
Loss from ordinary activities after income tax		(226,112)	(1,612,998)
Non-cash items			
Depreciation of property, plant and equipment		13,621	17,961
Unrealised loss/(gain) on fair value of investments held		(7,066)	22,768
Gain recognised on change in ownership of associate		(2,161,151)	-
Profit on disposal of discontinued operation		-	(210,318)
Share of associates' loss		419,850	105,287
Bad and doubtful debts		-	60,625
Share based payments expense		211,013	53,987
Shares issued in respect of prior year Directors' fees		-	147,150
Exchange difference on translation of foreign currency		11,003	5,286
Impairment loss		-	128,704
Writedowns of inventory to net realisable value		7,124	24,870
Changes in assets and liabilities			
Increase in exploration and evaluation assets		(12,382)	(22,436)
Decrease in receivables		26,374	115,483
Decrease/(increase) in other assets		(425)	20,369
Decrease/(increase) in inventory		163,756	(316,423)
Increase/(decrease) in payables		(103,210)	252,997
Increase/(decrease) in employee benefits		42,391	(114,516)
Net cash flows used in operating activities		(1,615,214)	(1,321,204)

(b) Reconciliation of cash

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

	Notes	2014 $	2013 $
Cash at bank		3,186,866	333,109
Cash on hand		549	499
		3,187,415	333,608

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2014

	Notes	2014 $	2013 $
NOTE 26: COMMITMENTS			
Lease expenditure commitments			
Operating property leases (non-cancellable)			
Minimum lease payments			
Not later than one year		-	136,438
Later than one year and not later than five years		-	-
		-	136,438
Bank guarantees in relation to permits			
Maximum amount bank may call		45,000	45,000
Capital expenditure commitments			
Exploration, technology and corporate commitments			
Not later than one year		-	-
Later than one year and not later than five years		-	-
		-	-

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

At the company's request, the Victorian Government granted suspensions for the the work program requirements associated with the company's geothermal exploration permits (GEP10, GEP12 and GEP13) until May 2015, due to the lack of geothermal funding by Government and current government policy relating to a moratorium on "fraccing" (hydraulic stimulation) and well activity.

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

NOTE 27: CONTINGENCIES

As at balance date, the company had no contingent assets or liabilities other than those relating to its interests in associates (refer note 15).

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2014

	Notes	2014 $	2013 $
NOTE 28: LOSS PER SHARE			
(i) Loss per share from continuing operations attributable to equity holders of the parent			
Reconciliation of loss used in calculating loss per share:			
Net loss from continuing activities attributable to equity holders of the parent entity		(226,112)	(1,822,334)
Net loss used in calculating basic and diluted loss per share		(226,112)	(1,822,334)
Weighted average number of ordinary shares used in calculating basic earnings per share		142,108,356	115,158,422
Effect of dilutive securities:			
Share options		-	-
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share		142,108,356	115,158,422
(ii) Loss per share attributable to equity holders of the parent			
Reconciliation of loss used in calculating loss per share:			
Net loss attributable to equity holders of the parent entity		(226,112)	(1,612,016)
Net loss used in calculating basic and diluted loss per share		(226,112)	(1,612,016)
Weighted average number of ordinary shares used in calculating basic earnings per share		142,108,356	115,158,422
Effect of dilutive securities:			
Share options		-	-
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share		142,108,356	115,158,422

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

NOTE 29: SHARE BASED PAYMENTS

(a) Employee option plan

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

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

Details of the options granted are provided below:

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

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

Weighted average fair value of options granted during the year (at grant date):	2.5 cents
Weighted average exercise price	13 cents
Volume weighted average share price during the year	9 cents
Weighted average expected share volatility	67%
Weighted average risk free interest rate	3.14%
Expected dividends	Nil
Average option life	4 years

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2014

NOTE 29: SHARE BASED PAYMENTS (CONTINUED)

(a) Employee option plan (continued)

2013										
Grant date	Vesting date	Expiry date	Exercise price	Balance at beginning of year	Granted during the year	Fair value ($)*	Exercised during the year	Expired during the year	Balance at the end of the year	Exercisable at the end of the year
1/10/2007	1/10/2007	30/09/2012	45c	3,000,000	-		-	3,000,000	-	-
18/03/2008	18/03/2008	30/09/2012	45c	1,000,000	-		-	1,000,000	-	-
3/09/2008	1/07/2009	30/09/2012	20c	2,000,000	-		-	2,000,000	-	-
1/10/2012	1/10/2013	30/09/2017	10c	-	1,000,000	0.009	-	-	1,000,000	-
1/10/2012	1/10/2013	30/09/2017	15c	-	2,000,000	0.006	-	-	2,000,000	-
20/12/2012	20/12/2013	30/09/2017	10c	-	2,000,000	0.009	-	-	2,000,000	-
20/12/2012	20/12/2013	30/09/2017	15c	-	3,000,000	0.006	-	-	3,000,000	-
20/12/2012	20/12/2012	30/09/2017	15c	-	5,000,000	0.006	-	-	5,000,000	5,000,000

(b) Employee share scheme

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

(c) Expenses recognised from share-based payment transactions

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

	Notes	2014 $	2013 $
Options issued under employee option plan		211,013	53,987

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2014

NOTE 30: INTERESTS IN SUBSIDIARIES

(a) Subsidiaries

	Country of Incorporation	Percentage owned	
		2014	2013
Parent entity			
Greenearth Energy Ltd (i) (ii)	Australia		
Subsidiaries of Greenearth Energy Ltd:			
Greenearth Power Pty Ltd (i)	Australia	100%	100%
Greenearth Solar Energy Pty Ltd	Australia	85%	85%
Greenearth Heat Energy Pty Ltd (i)	Australia	100%	100%
Greenearth Geothermal Energy Pty Ltd (i)	Australia	100%	100%
Greenearth Energy Limited (NZ)	New Zealand	100%	100%
Greenearth Energy Efficiency Pty Ltd (i)	Australia	100%	100% (v)
Pacific Heat and Power Pty Ltd	Australia	0%	0% (iii)
NewCO2Fuels Pty Ltd (i)	Australia	100%	100% (iv)
Greenearth Biomass Energy Pty Ltd (i)	Australia	100%	100%
Subsidiaries of Greenearth Energy Efficiency Pty Ltd:			
GEE Advanced Technologies Pty Ltd (i)	Australia	100%	0% (vi)

(i) Member of the Australian tax consolidated group

(ii) Head Entity of the Australian tax consolidated group

(iii) During the year ended 30 June 2013, the group disposed of all of its interest in Pacific Heat and Power Pty Ltd, as detailed in note 9.

(iv) During the year, the group acquired an additional 15% interest in NewCO2Fuels Pty Ltd, increasing its continuing interest to 100%.

(v) During the year, the group acquired an additional 15% interest in Greenearth Energy Efficiency Pty Ltd, increasing its continuing interest to 100%.

(vi) Incorporated during the year ended 30 June 2014.

	Notes	2014 $	2013 $
(b) Reconciliation of the non-controlling interest (NCI)			
Accumulated NCI at the beginning of the year		(40,337)	(242,824)
Profit or loss allocated to NCI during the year		-	(982)
Purchase of additional ownership interest in a subsidiary from NCI		-	203,469
Disposal of ownership interest in a subsidiary without loss of control		-	-
Accumulated NCI at the end of the year		(40,337)	(40,337)

	Notes	2014 $	2013 $
NOTE 31: RELATED PARTY DISCLOSURES			
(a) Transactions with key management personnel of the entity or its parent and their personally-related entities			
(i) Key management personnel compensation			
Key management personnel compensation comprised the following:			
Short-term employee benefits		632,753	698,768
Post-employment benefits		58,561	62,162
Share-based payments*		167,100	87,000
		858,414	847,930

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

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

(ii) Key management personnel equity holdings

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

(iii) Loans to key management personnel

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

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

An amount of $28,596 excluding GST (2013:$9,532) was paid by the group to Virtual and Illumination Engineering Services; a business associated with Mr U. du Plessis, a member of the key management personnel of the company in respect of research and development services provided by it to the group.

Amounts were paid to companies associated with Mr. S. R. Marks in respect of consulting services provided to the group prior to Mr Marks' commencement as Managing Director of Greenearth Energy Ltd on 1 July 2012. The amounts were $nil (2013:$17,625 excluding GST), paid by Greenearth Energy Ltd to Main Street Capital Pty Ltd, and $nil (2013:$46,125 excluding GST), paid by Greenearth Energy Ltd to Toroso Group Pty Ltd.

All amounts paid to related entities of key management personnel were charged on commercial and arms–length terms and conditions.

(b) Other related party transactions

During this financial period, Lakes Oil N.L., settled accounts with suppliers on behalf of Greenearth Energy Ltd totalling $208,839 (2013: $183,142). At balance date an amount of $54,136 (2013:$133,985) was payable by Greenearth Energy Ltd.

Details of transactions with Erdi Fuels Pty Ltd are identified in note 15. The Directors believe these transactions to be on an arms-length basis.

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

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2014

	Notes	2014 $	2013 $
NOTE 32: PARENT ENTITY INFORMATION			
Summarised presentation of the parent entity, Greenearth Energy Ltd, financial statements.			
(a) Summarised statement of financial position			
Assets			
Current assets		3,505,575	683,826
Non-current assets		4,779,898	3,515,458
Total assets		8,285,473	4,199,284
Liabilities			
Current liabilities		827,860	556,223
Non-current liabilities		22,930	17,661
Total liabilities		850,790	573,884
Net assets		7,434,683	3,625,400
Equity			
Share capital		19,716,222	15,242,587
Reserves		265,000	53,987
Accumulated losses		(12,546,539)	(11,671,174)
Total equity		7,434,683	3,625,400
(b) Summarised statement of comprehensive income			
Loss for the year after tax		(875,365)	(1,052,457)
Other comprehensive income		-	-
Total comprehensive income/(loss)		(875,365)	(1,052,457)

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2014

NOTE 33: SEGMENT INFORMATION

(a) Description of segments

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

Segment 1: Geothermal - Otway Basin

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

Segment 2: Geothermal - Gippsland Basin

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

Segment 3: Geothermal - Indonesia

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

Segment 4: Energy Efficiency

Greenearth Energy Group via its subsidiary, Greenearth Energy Efficiency Pty Ltd maintains a distribution agreement with Metrolight Ltd, to introduce its energy efficient lighting solution to the Australian and Pacific Rim. During the financial period, revenue has been received by this segment.

Segment 5: Other Projects

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

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2014

NOTE 33: SEGMENT INFORMATION (CONTINUED)

(b) Segment information

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

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2014

NOTE 33: SEGMENT INFORMATION (CONTINUED)

(b) Segment information (continued)

2013	Geothermal - Otway Basin $	Geothermal - Gippsland Basin $	Geothermal - Indonesia $	Energy Efficiency $	Other Projects $	Total $
Segment revenue						
Total segment revenue	269,734	-	-	419,320	-	689,054
Inter-segment revenue	-	-	-	-	-	-
Segment revenue from external source	**269,734**	**-**	**-**	**419,320**	**-**	**689,054**
Segment result						
Total segment result	269,734	-	(32,834)	(407,223)	(259,217)	(429,539)
Inter-segment eliminations	-	-	-	-	-	-
Segment result from external source	**269,734**	**-**	**(32,834)**	**(407,223)**	**(259,217)**	**(429,539)**
Items included within segment result:						
Share of net profit/(loss) of associates	-	-	(32,535)	-	(72,752)	(105,287)
Total segment assets	**622,921**	**1,520,912**	**18,270**	**666,074**	**2,531,641**	**5,359,819**
Total segment assets include:						
Investment in equity accounted associates	-	-	10,036	-	1,931,642	1,941,678
Additions to non-current assets other than financial instruments and deferred tax assets	31,868	-	-	-	-	31,868
Total segment liabilities	**-**	**15,000**	**-**	**406,979**	**3,610,921**	**4,032,900**

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2014

	Notes	2014 $	2013 $
NOTE 33: SEGMENT INFORMATION (CONTINUED)			
(b) Segment information (continued)			
(i) Reconciliation of segment revenue to the consolidated statement of comprehensive income			
Segment revenue from external source		3,043,262	689,054
Other revenue		65,053	70,580
Interest revenue		11,123	3,552
Net foreign exchange gain		16,308	-
Unrealised gain on fair value of investments		7,066	-
Total revenue		3,142,812	763,186
(ii) Reconciliation of segment result to the consolidated statement of comprehensive income			
Segment result from external source		979,487	(429,539)
Interest revenue		11,123	3,552
Net foreign exchange gain		16,308	-
Unrealised gain on fair value of investments		7,066	-
Depreciation and amortisation		(13,621)	(17,961)
Unallocated other income		65,053	-
Unallocated expenses		(1,291,528)	(1,379,368)
Total loss from continuing operations before income tax		(226,112)	(1,823,316)
(iii) Reconciliation of segment assets to the consolidated statement of financial position			
Segment assets		3,898,263	5,359,819
Cash and cash equivalents		3,187,415	333,608
Unallocated assets		397,619	375,721
Total assets		7,483,297	6,069,148
(iv) Reconciliation of segment liabilities to the consolidated statement of financial position			
Segment liabilities		852,117	4,032,900
Unallocated liabilities		660,085	523,689
Total liabilities		1,512,202	4,556,589

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2014

	Notes	2014 $	2013 $
NOTE 34: AUDITOR'S REMUNERATION			
(a) Amounts paid and payable to Pitcher Partners (Melbourne) for:			
(i) Audit and other assurance services			
An audit or review of the financial report of the entity and any other entity in the consolidated entity		70,875	72,500
Total remuneration for audit and other assurance services			
(ii) Other non-audit services			
Taxation services		71,002	59,220
Total remuneration for non-audit services			
Total auditors' remuneration		141,877	131,720

NOTE 35: SUBSEQUENT EVENTS

Subsequent to the end of the period, the company issued a total of 1,200,000 unlisted incentive options to employees on 22 August 2014 persuant to the company's Employee Option Plan, as follows:

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

DIRECTORS' DECLARATION

The directors declare that the financial statements and notes set out on pages 19 to 58 in accordance with the *Corporations Act 2001*:

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

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

(c) Give a true and fair view of the financial position of the consolidated entity as at 30 June 2014 and of its performance for the year ended on that date.

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

This declaration has been made after receiving the declarations required to be made by the chief executive officer and chief financial officer to the directors in accordance with Section 295A of the *Corporations Act 2001* for the financial year ending 30 June 2014.

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

Samuel R Marks
Managing Director

Greenearth Energy Ltd

Dated this 29th day of September 2014

Melbourne

PITCHER PARTNERS

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

REPORT ON THE FINANCIAL REPORT

We have audited the accompanying financial report of Greenearth Energy Ltd and controlled entities, which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

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

Independence

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

Opinion

In our opinion:

(a) the financial report of Greenearth Energy Ltd 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 2014 and of its performance for the year ended on that date; and

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

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

Emphasis of Matter

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

The consolidated entity incurred a net loss for the year of $226,112 (2013: $1,612,998) and at the reporting date total assets exceeded total liabilities by $5,971,095 (30 June 2013: $1,512,559), including exploration and evaluation assets of $2,146,783 (30 June 2013: $2,134,401).

PITCHER PARTNERS

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

The Directors have determined that there may be a net cash requirement of $1,001,000 over the forthcoming 12 months to maintain operations, after allowing for existing cash reserves and contracted upcoming cash receipts. The Directors anticipate that this potential net cash requirement of $1,001,000 is to be funded by a combination of the net operating cash flow of Greenearth Energy Efficiency Pty Ltd ("GEE", a company within the consolidated group), raising additional capital, and other funding avenues such as continued development of other renewable technologies and expanding revenue streams.

The anticipated revenue growth (and consequent cash flow contribution) of GEE over the next 12 months is based on certain assumptions in relation to the short-term development of the business. These assumptions relate to the expected future revenue and profitability of GEE during that time and are based on currently available information including management assessments of probable future orders and other information.

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

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

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

REPORT ON THE REMUNERATION REPORT

We have audited the Remuneration Report included in pages 9 to 17 of the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Greenearth Energy Ltd and controlled entities for the year ended 30 June 2014 complies with section 300A of the *Corporations Act 2001.*

M J HARRISON
Partner
29 September 2014

Pitcher Partners

PITCHER PARTNERS
Melbourne

ASX SUPPLEMENTARY INFORMATION
COMPILED AS AT 6 OCTOBER 2014

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

SUBSTANTIAL SHAREHOLDERS

As disclosed in notices given to the Company.

Name of Substantial Shareholder	Interest in Number of Shares Beneficial and Non-beneficial	Percentage of Shares (%)
Hub & Spokes Pty Ltd <Hub & Spokes A/C>	16,666,667	8.44
Erdi Fuels Pty Ltd	16,500,000	8.35
Advance Publicity Pty Ltd <The Izmar Family A/C>	16,366,667	8.28
Lakes Oil NL	13,791,667	6.98

DISTRIBUTION OF EQUITY SECURITIES

The issued capital of the company comprised:

(a) 197,580,003 fully paid ordinary shares

(b) 22,950,000 unlisted options over ordinary shares , with various terms and conditions including the following specifications:

Number of options	Exercise price	Expiry date	Number of option holders
2,000,000	7.5 cents	30 September 2018	1
3,000,000	10 cents	30 September 2017	2
3,000,000	10 cents	30 September 2018	1
1,125,000	15 cents	2 February 2017	3
11,100,000	15 cents	30 September 2017	6
500,000	15 cents	30 June 2019	1
625,000	20 cents	2 February 2017	2
1,100,000	20 cents	30 September 2017	3
500,000	20 cents	30 June 2019	1
22,950,000			

VOTING RIGHTS

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

QUOTATION OF SECURITIES

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

TAX STATUS

The company is taxed as a public company.

ASX SUPPLEMENTARY INFORMATION COMPILED AS AT 6 OCTOBER 2014

TWENTY LARGEST SHAREHOLDERS

Rank	Shareholder	Shares held	Percentage of capital (%)
1	Hub & Spokes Pty Ltd <Hub & Spokes A/C>	16,666,667	8.44
2	Erdi Fuels Pty Ltd	16,500,000	8.35
3	Advance Publicity Pty Ltd <The Izmar Family A/C>	16,366,667	8.28
4	Lakes Oil NL	13,791,667	6.98
5	Gary Zamel & Associates Pty Ltd <Gary Zamel & Assoc Super A/C>	6,666,667	3.37
6	Mr Robert John Annells + Mrs Kimberley Jane Hodge <RJ Annells Super Fund A/C>	5,312,883	2.69
7	Giwah Pty Ltd <Investment Account>	3,866,666	1.96
8	Manisa Nominees Pty Ltd <The Lasky Super Fund A/C>	3,820,967	1.93
9	Gerald Pearce + Lillian Pearce <Lillian Chizik S/Fund A/C>	3,533,333	1.79
10	Greenbush Ventures Ltd	3,333,333	1.69
11	Decante Pty Ltd <J M Ehrlich Super Fund A/C>	3,000,000	1.52
12	Greenbush Ventures Limited	3,000,000	1.52
13	Paul Jacobson	2,666,667	1.35
14	Mr John Trifon Kopcheff	2,524,810	1.28
15	Mr Douglas Edward Webb	2,500,001	1.27
16	LJ Thomson Pty Ltd	2,200,000	1.11
17	Berenes Nominees Pty Ltd <Berenes Nom P/L S/F A/C>	2,083,333	1.05
18	Dr Ron Ehrlich + Ms Ann Christine Wilson <Ehrlich Wilson S/Fund A/C>	2,083,333	1.05
19	Elsing Pty Ltd	2,000,000	1.01
20	L J & K Thomson Pty Ltd <L J T & K T Super Fund A/C>	2,000,000	1.01
		113,916,994	**57.66**

ASX SUPPLEMENTARY INFORMATION COMPILED AS AT 6 OCTOBER 2014

DISTRIBUTION OF ORDINARY SHARES

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

Category of shareholders	Number of shareholders	Number of shares held	Percentage of total (%)
1 - 1,000	52	7,795	0.00
1,001 - 5,000	95	364,280	0.18
5,001 - 10,000	364	3,041,611	1.54
10,001 - 100,000	616	22,942,183	11.61
100,001 - and over	172	171,224,134	86.66
Rounding			0.01
Total on issue	**1,299**	**197,580,003**	**100.00**

The number of shareholders that held less than a "marketable parcel" of shares (being 8,197 shares) was 333. These shareholders held a total of 1,665,337 fully paid ordinary shares in the company as at that date, representing approximately, 0.84% of the total issued share capital of the company as at that date.

PERMIT INFORMATION

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

Permit Name	Location (Basin Name)	Registered Holder	Group Interest	
			2014	**2013**
GEP 10	Otway	Greenearth Energy Ltd	100%	100%
GEP 12	Gippsland	Greenearth Energy Ltd	100%	100%
GEP 13	Gippsland	Greenearth Energy Ltd	100%	100%

CORPORATE GOVERNANCE

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

Greenearth Energy Ltd. corporate governance principles and policies are structured with reference to the Corporate Governance Council's best practice recommendations as outlined in the revised ASX Corporate Governance Principles and Recommendations, issued in 2007 and amended in 2010.

PRINCIPLE 1 LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

Recommendation 1.1: Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions

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

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

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

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

Recommendation 1.2 Companies should disclose the process for evaluating the performance of senior executives

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

Performance reviews for senior executives usually take place each year as appropriate, incorporating evaluation against the KPIs stipulated in each service agreement.

PRINCIPLE 2 STRUCTURE THE BOARD TO ADD VALUE

Recommendation 2.1 A majority of the board should be independent directors.

During the financial year the Board of Greenearth Energy Ltd. comprised three directors including one executive director. The skills, experience and expertise relevant to the position each director held is detailed in the Directors Report within the Annual Report. The only director considered to be independent during the financial year, was Mr John Kopcheff. Given the majority of the board are not considered independent under the definitions provided in the Council's recommendations, this recommendation has not been satisfied.

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

Recommendation 2.2 The chair should be an independent director.

Mr Robert Annells is the chair of the board and is not considered to be an independent director. This recommendation has not been satisfied.

Recommendation 2.3 The roles of chair and chief executive officer should not be exercised by the same individual.

Mr Robert Annells performs the role of chairperson, while Mr Samuel Marks carried out the role of Managing Director or Chief Executive Officer (CEO) during the financial year. This recommendation is satisfied.

Recommendation 2.4 The board should establish a nomination committee.

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

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

Recommendation 2.5 Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.

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

CORPORATE GOVERNANCE

PRINCIPLE 3 PROMOTE ETHICAL AND RESPONSIBLE DECISION-MAKING

Recommendation 3.1 Companies should establish a code of conduct and disclose the code or a summary of the code as to:

- *The practices necessary to maintain confidence in the company's integrity*
- *The practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders*
- *The responsibility and accountability of individuals for reporting and investigating reports of unethical practices.*

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

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

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

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

Recommendation 3.2 Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity for the board to assess annually both the objectives and progress in achieving them.

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

Recommendation 3.3 Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.

The Board, upon formalising a Diversity Policy, will ensure that this recommendation is considered and measurable objectives are identified for disclosure in future annual reports.

Recommendation 3.4 Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.

At 30 June 2014 the Company had one woman employee. There are no women on the Board.

The Board, upon adopting a formal diversity policy, will ensure the policy is available on the company's website.

PRINCIPLE 4 SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

Recommendation 4.1 The board should establish an audit committee.

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

The main functions of the Audit Committee are:

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

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

Recommendation 4.2 the audit committee should be structured so that it:

- *Consists only of non-executive directors*
- *Consists of a majority of independent directors*
- *Is chaired by an independent chair, who is not chair of the board*
- *Has at least three members.*

The Audit Committee during the financial year comprised Mr John Kopcheff (Chairman) and Mr Robert Annells. Mr Kopcheff is considered to be independent under the Council's definition.

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

The Audit Committee does not have a majority of independent directors, as the Company has only one indpendent director.

Recommendation 4.3 The audit Committee should have a formal charter.

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

The number of meetings held by the Audit Committee is disclosed in the Directors' Report within the Annual Report.

CORPORATE GOVERNANCE

PRINCIPLE 5 MAKE TIMELY AND BALANCED DISCLOSURE

Recommendation 5.1 Companies should establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at senior executive level for that compliance and disclose those policies or a summary of those policies.

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

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

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

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

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

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

PRINCIPLE 6 RESPECT THE RIGHTS OF SHAREHOLDERS

Recommendation 6.1 Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.

Planned communications to shareholders are:

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

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

PRINCIPLE 7 RECOGNISE AND MANAGE RISK

Recommendation 7.1 Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.

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

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

Financial risk

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

Operational reporting

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

Insurance

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

Internal control

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

Recommendation 7.2 The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.

The Board works very closely with the staff and, because the company and its transactional volume is small, the Directors have a detailed knowledge of the workings of the company. It is through the informal and formal (via scheduled board meetings) communications of all areas of the business, that the board is reported to the risks of the business and how effectively they are being managed.

Recommendation 7.3 The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) 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 aspects in relation to financial reporting risks.

This recommendation was compiled with for this financial year.

PRINCIPLE 8 REMUNERATE FAIRLY AND RESPONSIBLY

Recommendation 8.1 The board should establish a remuneration committee.

Due to the limited size of the board, Greenearth Energy Ltd. has not complied with this recommendation. This role is conducted by the full board.

Recommendation 8.2 The remuneration committee should be structured so that it:

- *consists of a majority of independent directors*
- *is chaired by an independent chair*
- *consists of at least three members.*

Due to the limited size of the board, Greenearth Energy Ltd. has not established a remuneration committee. This role is conducted by the full board.

Recommendation 8.3 Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.

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

The executive director and senior executives are employed under a contract detailing their remuneration, service period and non-competition clauses. They may be entitled to termination benefits as stipulated in their employment contracts and in accordance with relevant state laws governing long service leave and superannuation. Generally, executives have an element of their remuneration at risk. The key performance Indicators (KPIs) which will entitle them to access the at risk portion of their remuneration are set at commencement of employment and will be reviewed through the annual business planning and review process.

Greenearth Energy Ltd.

Level 14, 500 Collins Street
Melbourne, Victoria, 3000
greenearth@greenearthenergy.com.au
www.greenearthenergy.com.au