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Market Announcements Platform
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Melbourne VIC 3000

APPENDIX 4E – PRELIMINARY FINAL REPORT

In accordance with ASX Listing Rule 4.3A, please find attached the Preliminary Final Report (“Appendix 4E”) of Greenearth Energy Limited for the financial year ended 30 June 2016.

Yours faithfully

Samuel Marks
Managing Director
Greenearth Energy Limited

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

**FINANCIAL INFORMATION
FOR THE YEAR ENDED 30 JUNE 2016
PROVIDED TO THE ASX UNDER LISTING RULE 4.3A**

Appendix 4E Preliminary Final Report

Name of entity

GREENEARTH ENERGY LTD

ABN: 60 120 710 625

1. Reporting period

Report for the financial year ended 30 June 2016

Previous corresponding period is the financial year ended 30 June 2015

2. Results for announcement to the market

Revenues from ordinary activities (<i>item 2.1</i>)	up	181.1%	to	\$3,300,258
Loss from ordinary activities after tax attributable to members (<i>item 2.2</i>)	down	19.5%	to	\$4,817,457
Net loss for the period attributable to members (<i>item 2.3</i>)	down	19.5%	to	\$4,817,457
Dividends (<i>item 2.4</i>)	Amount per security		Franked amount per security	
Interim dividend	Nil		Nil	
Final dividend	Nil		Nil	
Record date for determining entitlements to the dividend (<i>item 2.5</i>)	Not Applicable			
Brief explanation of any of the figures reported above necessary to enable the figures to be understood (<i>item 2.6</i>):				
The group's Net Loss After Tax improved by 19.5% compared to the previous corresponding period, from \$5,986,012 to \$4,817,457.				
The result reflects the group's investment in growth during the period, operational highlights of which included:				
<ul style="list-style-type: none"> - The acquisition of Ilum-a-Lite, an energy efficient lighting solutions provider to the commercial sector, with effect from 31 March 2016; - Development and roll-out of Vivid Industrial's proprietary Matrixx industrial lighting system range across multiple full scale sites; - Finalisation and restructure of the group's investment in NewCO2Fuels, as it increased focus on commercialisation of its award winning CO₂ reduction technology. 				
The increase in total revenue was driven primarily by a 251% increase in sales revenue (from \$637,176 to \$2,239,222), due to a combination of organic sales growth and a part-year contribution from Ilum-a-Lite Pty Ltd.				
Employee benefits expense increased by 48% to \$3,077,468 (2015: \$2,076,479), as experienced sales and operations personnel were added to the team, with a 73% increase in employee numbers during the year.				
Refer to the commentary on results at item 14 below and to the attached condensed consolidated financial statements for further information on the above figures.				

3. Statement of Comprehensive Income (item 3)

Refer to the attached statement and relevant notes

4. Statement of Financial Position (item 4)

Refer to the attached statement and relevant notes

5. Statement of Cash Flows (item 5)

Refer to the attached statement and relevant notes

6. Statement of changes in equity (item 6)

Refer to the attached statement and relevant notes

7. Dividends (item 7)

	Date of payment	Total amount of dividend
Final dividend – year ended 30 June 2016	Not applicable	\$nil
Interim dividend – year ended 30 June 2016	Not applicable	\$nil

Amount per security

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

Total dividend on all securities

	Current period \$A'000	Previous corresponding Period - \$A'000
Ordinary securities (each class separately)	nil	nil
Total	nil	nil

8. Details of dividend or distribution reinvestment plans in operation are described below (item 8):

The company does not currently have a dividend reinvestment plan.	
The last date(s) for receipt of election notices for participation in the dividend or distribution reinvestment plan	Not applicable

9. Net tangible assets per security (item 9)

	Current period	Previous corresponding period
Net tangible asset backing per ordinary security	0.6 cents	1.7 cents

10. Details of entities over which control has been gained or lost during the period: (item 10)

Control gained over entities

Name of entities (item 10.1)	Illum-a-Lite Pty Ltd
Date(s) of gain of control (item 10.2)	31 March 2016
Contribution to consolidated profit (loss) from ordinary activities after tax by the controlled entities since the date(s) in the current period on which control was acquired (item 10.3)	\$326,100
Profit (loss) from ordinary activities after tax of the controlled entities for the whole of the previous corresponding period (item 10.3)	It is not practical to determine profit (loss) from ordinary activities after tax of the controlled entity for the previous corresponding period, as it did not prepare audited general purpose financial reports prior to its acquisition by the group.

Loss of control of entities

Name of entities (<i>item 10.1</i>)	Not applicable
Date(s) of loss of control (<i>item 10.2</i>)	Not applicable
Contribution to consolidated profit (loss) from ordinary activities after tax by the controlled entities to the date(s) in the current period when control was lost (<i>item 10.3</i>).	Not applicable
Profit (loss) from ordinary activities after tax of the controlled entities for the whole of the previous corresponding period (<i>item 10.3</i>)	Not applicable

11. Details of associates and joint venture entities (*item 11*)

Name of associate or joint venture entity (<i>item 11.1</i>)	%Securities held (<i>item 11.2</i>)
NCF Global Pty Ltd	50%
NewCO2Fuels Ltd	Nil
PT Geopower Indonesia	40%

The group's effective economic interest in NewCO2Fuels Ltd of 33.33% remains unchanged from the previous corresponding period, but is now represented indirectly via its 50% ownership of NCF Global Pty Ltd, a company which owns 66.67% of NewCO2Fuels Ltd.

Aggregate share of profits (losses) of associates and joint venture entities (*item 11.3*)

Group's share of associates' and joint venture entities':	2016 \$	2015 \$
Loss from ordinary activities before tax	3,593,949	2,407,755
Income tax on ordinary activities	-	-
Net loss from ordinary activities after tax	3,593,949	2,407,755
Adjustments	-	-
Share of net loss of associates and joint venture entities	1,202,267	804,066

12. Significant information relating to the entity's financial performance and financial position. (item 12)

Refer to the commentary at item 14 below, and to the attached condensed consolidated financial statements and notes thereto.

12. Foreign entity accounting standards. (item 13)

Not applicable.

14. Commentary on the results for the period. (item 14)

Earnings per security

The basic and diluted loss per security was 1.75 cents, down from 2.87 cents in the previous corresponding period due to the reduction in net loss for the current period and an increase in the number of shares on issue. Options on issue are considered to be antidilutive and therefore diluted loss per security is equal to basic loss per security.

Returns to shareholders

There were no share distributions or buy backs during the period.

Significant features of operating performance

The 2015/2016 financial year saw Vivid Industrial begin the scale up and roll-out of full scale sites across a range of its energy efficient lighting systems, along with the acquisition of Ilum-a-Lite as part of the strategy to grow into the commercial lighting sector.

The group's investment in NewCO2Fuels (its CO₂-to-fuels technology investment) increased focus on sourcing commercialisation partners and furthering technology development for commercialisation.

Results of significant segments

Industrial Energy Efficiency

Vivid Industrial provides energy efficient lighting systems to industrial, commercial and infrastructure businesses. As a world leading technology company achieving energy savings of >80%, the company is seeing its technology being deployed by key blue chip customers in Australia & overseas. Coupled with the recent acquisition of Ilum-a-Lite which focuses on Energy Performance Contracts, the combined business is enabling development of high margin recurring revenue streams.

The Industrial Energy Efficiency business focused heavily on growing the large scale sites across the industrial sector to include customer sites including a Linfox-Arnott's warehouse and a Woolworths major distribution centre hub (both in Queensland). These and other deployments continue to deliver savings north of 80% of lighting energy costs to the customers. Ongoing technology development continued with Vivid Industrials' proprietary Matrixx product range, seeing developments around improving efficiencies of technology implementation, as well as within the manufacturing process.

During the year Vivid Industrial acquired Ilum-a-Lite, an energy efficiency business which was founded over 20 years ago and is at the forefront of the lighting energy efficiency sector. During its history, Ilum-a-Lite has pioneered a number of new energy efficiency products in the lighting sector and successfully taken them to world markets. The company's skills in project management and logistics makes it highly efficient at delivering large scale industrial projects anywhere in the country. Ilum-a-Lite brings vast experience in commercial lighting and LED lighting upgrades that deliver outstanding returns for customers.

Technology Investment

The 2016 financial year saw progress across a range of areas for NewCO2Fuels (“NCF”), from pilot partners, to collaboration agreements and further independent recognition via awards and selection for global competitions. NCF received much global press coverage with the continued focus on commercialising and socialising the NCF technology to the world.

During the year, the group’s investment in NCF was finalised and restructured, such that the group’s 33.33% effective economic interest in NCF is now represented by its 50% ownership of NCF Global, a company that owns 66.67% of NCF. The other 50% of NCF Global is owned by the Erdi Group, which is also a shareholder in Greenerth.

Having developed its unique technology, NCF’s current focus is commercialisation (via deployment of modular systems to several pilot plants). One of the key steps towards the commercialisation stage is the design, building and testing of its first pilot plant. The NCF engineering team made significant progress with the design and development of NCF’s first large scale pilot plant, composing two commercial reaction units able to convert ~160 tons per year of carbon dioxide (CO₂) into fuel and oxygen (O₂). This pilot plant, containing multiple disassociating membranes, will have a CO₂ processing capacity equivalent to the CO₂ absorption capacity of around 6,000 mature trees.

Following the Paris COP21 agreement, made across 195 nations in December 2015, a substantial impact on the business development front has occurred within the specific sector of renewable energy that NCF is operating in. On top of the ongoing business development and discussions with global partners on the commercialisation, the interest continues to grow in market demand for solutions to a global problem.

Of note in the potential partners was the cooperation agreement entered into by NCF and Sinopec Ningbo Engineering Co., Ltd (SNEC) during the year. Subsequent to balance date, NCF also signed a Letter of Intent (LOI) with Sinopec Engineering (Group) Co. Ltd (SEG) and Hong Kong ECO/Blooming (Beijing) Technology Co Ltd (BBT), to further progress NCF’s technology to commercialisation. The entry into the LOI follows a site visit to NCF’s facility in Israel by representatives of SEG, which was pursuant to the cooperation agreement. The LOI contains the goals, objectives and timelines of SEG, BBT and NCF over the coming period including a feasibility study for a pre-identified NCF pilot site. Upon successful analysis and proof of economics, NCF envisages entering into a commercialisation agreement for SEG and NCF to jointly engineer and commercialise the NCF technology, funded by BBT, with the three parties sharing profits on a commercial basis to be agreed in the current financial year. Whilst this was of independent note, further discussions also progressed with other global corporations and power companies who are considering NCF for the development of pilot plants and rights to develop and deploy its technology.

Trends in performance

The group’s Net Loss After Tax improved by 19.5% compared to the previous corresponding period, from \$5,986,012 to \$4,817,457.

The result reflects the group’s investment in growth during the period, operational highlights of which included:

- The acquisition of Ilum-a-Lite, an energy efficient lighting solutions provider to the commercial sector, with effect from 31 March 2016;
- Development and roll-out of Vivid Industrial’s proprietary Matrixx industrial lighting system range across multiple full scale sites;
- Finalisation and restructure of the group’s investment in NewCO2Fuels, as it increased focus on commercialisation of its award winning CO₂ reduction technology.

The increase in total revenue was driven primarily by a 251% increase in sales revenue (from \$637,176 to \$2,239,222), due to a combination of organic sales growth and a part-year contribution from Ilum-a-Lite Pty Ltd.

Employee benefits expense increased by 48% to \$3,077,468 (2015: \$2,076,479), as experienced sales and operations personnel were added to the team, with a 73% increase in employee numbers during the year.

Other factors

Refer to the attached condensed consolidated financial statements and notes thereto for information on other factors which have affected the results for the period or which are likely to affect results in the future.

15. Audit of the financial report (item 15)
Select one of the following

- The financial report has been audited
- The financial report has not yet been audited.
- The financial report is in the process of being audited.

16. The audit has not yet been completed (item 16)
Select one of the following:

- The financial report is not likely to contain an independent audit report that is subject to a modified opinion, emphasis of matter or other matter paragraph.
- The financial report is likely to contain an independent audit report that is subject to a modified opinion, emphasis of matter or other matter paragraph as described below.

The financial report is likely to contain an independent audit report that is subject to an emphasis of matter paragraph in relation to Going Concern.

17. The audit has been completed. (item 17)
Select one of the following:

- The financial report contains an independent audit report that is not subject to a modified opinion, emphasis of matter or other matter paragraph.
- The financial report contains an independent audit report that is subject to a modified opinion, emphasis of matter or other matter paragraph as described below.

Not applicable.

GREENEARTH ENERGY LTD AND CONTROLLED ENTITIES

ACN: 120 710 625

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2016

	Notes	2016 \$	2015 \$
Revenue and other income			
Sales revenue	2	2,239,222	637,176
Other income	2	1,061,036	536,840
		<u>3,300,258</u>	<u>1,174,016</u>
Less: Expenses			
Employee benefits expense	3	(3,077,468)	(2,076,479)
Costs incurred in the sale of inventories		(1,640,732)	(550,367)
Depreciation and amortisation		(50,051)	(16,065)
Finance costs	3	(1,475)	-
Accounting and audit expenses		(132,134)	(78,738)
Marketing and promotion expenses		(61,786)	(150,013)
Rent and occupancy expenses		(205,074)	(128,398)
Consulting expenses		(344,492)	(293,992)
Unrealised loss on fair value of investments		(3,140)	(8,636)
Impairment expense	3	(116,334)	(2,152,288)
Administrative expenses	3	(1,017,646)	(654,032)
Other expenses	3	(265,116)	(246,954)
Total Expenses		<u>(6,915,448)</u>	<u>(6,355,962)</u>
Share of net losses of associates accounted for using the equity method	6	(1,202,267)	(804,066)
Loss before income tax expense		<u>(4,817,457)</u>	<u>(5,986,012)</u>
Income tax expense		-	-
Net loss from continuing operations		<u>(4,817,457)</u>	<u>(5,986,012)</u>
Loss for the year		<u>(4,817,457)</u>	<u>(5,986,012)</u>
Other comprehensive income for the year		<u>-</u>	<u>-</u>
Total comprehensive income for the year		<u>(4,817,457)</u>	<u>(5,986,012)</u>
Loss is attributable to:			
Members of the parent		(4,817,457)	(5,986,012)
Non-controlling interest		-	-
		<u>(4,817,457)</u>	<u>(5,986,012)</u>
Earnings per share for loss attributable to the equity holders of the parent entity:			
Basic loss per share (cents per share)		(1.75)	(2.87)
Diluted loss per share (cents per share)		(1.75)	(2.87)

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

GREENEARTH ENERGY LTD AND CONTROLLED ENTITIES
ACN: 120 710 625
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2016

	Notes	2016 \$	2015 \$
Current assets			
Cash and cash equivalents		1,326,296	2,572,164
Receivables	4	1,117,340	837,281
Inventories		1,709,184	650,623
Other financial assets		58,050	61,190
Other current assets	5	628,908	125,022
Total current assets		<u>4,839,778</u>	<u>4,246,280</u>
Non-current assets			
Receivables	4	129,393	-
Equity accounted investments	6	1,925,874	698,826
Property, plant and equipment		186,928	149,877
Intangible assets	7	2,023,066	-
Exploration and evaluation assets		-	-
Total non-current assets		<u>4,265,261</u>	<u>848,703</u>
Total assets		<u>9,105,039</u>	<u>5,094,983</u>
Current liabilities			
Payables	8	2,182,589	891,538
Borrowings	9	457,323	-
Other financial liabilities	10	1,927,164	-
Income in advance		12,617	-
Provisions	11	739,212	87,413
Total current liabilities		<u>5,318,905</u>	<u>978,951</u>
Non-current liabilities			
Provisions	11	95,914	35,542
Total non-current liabilities		<u>95,914</u>	<u>35,542</u>
Total liabilities		<u>5,414,819</u>	<u>1,014,493</u>
Net assets		<u>3,690,220</u>	<u>4,080,490</u>
Equity			
Share capital	12	27,747,113	23,708,815
Reserves		454,175	65,286
Accumulated losses		(24,470,731)	(19,653,274)
Equity attributable to the owners of Greenerth Energy Ltd		<u>3,730,557</u>	<u>4,120,827</u>
Non-controlling interests		(40,337)	(40,337)
Total equity		<u>3,690,220</u>	<u>4,080,490</u>

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

GREENEARTH ENERGY LTD AND CONTROLLED ENTITIES
ACN: 120 710 625
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2016

	Share capital \$	Reserves \$	Accumulated losses \$	Non- controlling interest \$	Total Equity \$
Year ended 30 June 2016					
Balance as at 1 July 2015	23,708,815	65,286	(19,653,274)	(40,337)	4,080,490
Loss for the year	-	-	(4,817,457)	-	(4,817,457)
Total comprehensive income for the year	-	-	(4,817,457)	-	(4,817,457)
Transactions with owners in their capacity as owners:					
Contributions	2,963,700	-	-	-	2,963,700
Costs of raising capital	(168,152)	-	-	-	(168,152)
Shares issued in connection with the acquisition of Illum-a-Lite Pty Ltd	1,242,750	-	-	-	1,242,750
Equity based payments	-	388,889	-	-	388,889
	4,038,298	388,889	-	-	4,427,187
Balance as at 30 June 2016	27,747,113	454,175	(24,470,731)	(40,337)	3,690,220
Year ended 30 June 2015					
Balance as at 1 July 2014	19,716,215	(37,521)	(13,667,262)	(40,337)	5,971,095
Loss for the year	-	-	(5,986,012)	-	(5,986,012)
Total comprehensive income for the year	-	-	(5,986,012)	-	(5,986,012)
Transactions with owners in their capacity as owners:					
Contributions	4,198,575	-	-	-	4,198,575
Costs of raising capital	(205,975)	-	-	-	(205,975)
Equity based payments	-	102,807	-	-	102,807
	3,992,600	102,807	-	-	4,095,407
Balance as at 30 June 2015	23,708,815	65,286	(19,653,274)	(40,337)	4,080,490

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

GREENEARTH ENERGY LTD AND CONTROLLED ENTITIES
ACN: 120 710 625
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2016

	Notes	2016	2015
		\$	\$
Cash flow from operating activities			
Receipts		3,849,159	690,276
Payments to suppliers and employees		(6,656,035)	(4,344,945)
Research and development rebates received		575,209	684,732
Interest received		6,226	7,968
Borrowing costs paid		(3,288)	-
Net cash used in operating activities		<u>(2,228,729)</u>	<u>(2,961,969)</u>
Cash flow from investing activities			
Purchase of property, plant and equipment		(50,351)	(174,273)
Purchase of unlisted securities		(1,848,333)	(1,482,128)
Payment for acquisition, net of cash acquired		(358,014)	-
Loans to related entities		(6,185)	-
Payments for bonds and deposits		(54,124)	(54,124)
Proceeds from matured bonds and deposits		54,124	54,124
Net cash used in investing activities		<u>(2,262,883)</u>	<u>(1,656,401)</u>
Cash flow from financing activities			
Proceeds from issues of ordinary shares		2,963,700	4,187,116
Capital raising costs		(160,116)	(205,975)
Proceeds from borrowings		450,000	-
Net cash provided by financing activities		<u>3,253,584</u>	<u>3,981,141</u>
Net increase/(decrease) in cash and cash equivalents		(1,238,028)	(637,229)
Foreign exchange differences on cash holdings		(7,840)	21,978
Cash and cash equivalents at beginning of year		<u>2,572,164</u>	<u>3,187,415</u>
Cash and cash equivalents at end of the year		<u><u>1,326,296</u></u>	<u><u>2,572,164</u></u>

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

GREENEARTH ENERGY LTD AND CONTROLLED ENTITIES

ACN: 120 710 625

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 30 JUNE 2016

NOTE 1: BASIS OF PREPARATION

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

It is recommended that this preliminary financial report be read in conjunction with the annual report for the year ended 30 June 2015, its most recent half-year financial report for the six months ended 31 December 2015, and any public announcements made by Greenearth Energy Ltd during the year in accordance with any continuous disclosure obligations arising under the *Corporations Act 2001*.

(a) Basis of preparation

This preliminary financial report has been prepared in accordance with the requirements of ASX Listing Rule 4.3A, and is based on the financial report which is in the process of being audited.

The preliminary financial report has been prepared under the historical cost convention, as modified by revaluations to fair value for certain classes of assets as described in the accounting policies. The accounting policies applied in this preliminary financial report are consistent with those of the annual financial report for the year ended 30 June 2015 unless otherwise stated below.

(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 \$4,817,457 (2015: \$5,986,012), and at balance date current assets exceeded current liabilities by \$479,127.

The Directors have concluded that the going concern basis is appropriate, based on analysis of the company's internal cash flow forecasts which include expected future cash flows over the next 12 months. These forecasts contain certain assumptions in relation to the short term development of the business, including the expected future revenue and profitability of Vivid Industrial (a company within the consolidated group), and are based on currently available information including management assessments of probable future orders and other information.

In the event that the company is unable to trade as forecast or the actual outcomes differ significantly from the assumptions used, the company may need to take measures to conserve and secure cash flow, which may include adjusting its operating capital requirements, raising additional capital, and other funding avenues such as continued development of other industrial technologies and expanding revenue streams.

Subsequent to the end of the financial year, the company issued 50,870,937 fully paid ordinary shares for 7.5 cents per share in August 2016 pursuant to a share placement, proceeds from which totalled \$3,609,555 after costs.

GREENEARTH ENERGY LTD AND CONTROLLED ENTITIES

ACN: 120 710 625

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 30 JUNE 2016

NOTE 1: BASIS OF PREPARATION (continued)

(b) Going Concern (continued)

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

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

(c) 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 the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree. Deferred consideration payable is measured at its acquisition-date fair value. Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. At each reporting date subsequent to the acquisition, contingent consideration payable is measured at its fair value with any changes in the fair value recognised in profit or loss unless the contingent consideration is classified as equity, in which case the contingent consideration is carried at its acquisition-date fair value.

Goodwill is recognised initially at the excess of: (a) 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); over (b) the net fair value of the identifiable assets acquired and liabilities assumed. If the net fair value of the acquirer's interest in the identifiable assets acquired and liabilities assumed 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, the difference is immediately recognised as a gain in profit or loss. Acquisition related costs are expensed as incurred.

(d) Goodwill

Goodwill represents the future economic benefits arising from other assets acquired in a business combination that are not individually identifiable or separately recognised. Refer to Note 1(c) for a description of how goodwill arising from a business combination is initially measured. Goodwill is not amortised but is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is carried at cost less any accumulated impairment losses.

GREENEARTH ENERGY LTD AND CONTROLLED ENTITIES

ACN: 120 710 625

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 30 JUNE 2016

	Notes	2016 \$	2015 \$
NOTE 2: REVENUE AND OTHER INCOME			
Revenue and other income from continuing operations			
<i>Sales revenue</i>			
Sales of goods and rendering of associated services		<u>2,239,222</u>	<u>637,176</u>
<i>Other income</i>			
Interest		6,226	9,712
Net foreign exchange gain		30,593	-
Rental income		12,000	12,000
Research and development tax concession rebate		575,209	467,330
Doubtful debts recovered		-	45,284
Other income		437,008	2,514
		<u>1,061,036</u>	<u>536,840</u>

NOTE 3: LOSS FROM CONTINUING OPERATIONS

Loss from continuing operations before income tax has been determined after the following specific expenses:

<i>Employee benefits expense</i>			
Share-based payments expense	(a)	334,149	102,807
Directors' fees		222,097	176,111
Other employee benefits		2,521,222	1,797,561
		<u>3,077,468</u>	<u>2,076,479</u>
(a) Share-based payments expenses represents the non-cash notional value of equity options.			
<i>Impairment expense</i>			
Impairment of trade receivables		12,036	-
Impairment of equity accounted investments		104,298	
Impairment of exploration and evaluation assets		-	2,152,288
		<u>116,334</u>	<u>2,152,288</u>
<i>Finance costs expensed</i>			
Interest on loans and finance leases		<u>1,475</u>	<u>-</u>

GREENEARTH ENERGY LTD AND CONTROLLED ENTITIES

ACN: 120 710 625

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 30 JUNE 2016

	Notes	2016	2015
		\$	\$
NOTE 3: LOSS FROM CONTINUING OPERATIONS (continued)			
<i>Administrative expenses</i>			
Travel and accommodation		249,218	168,995
Share registry costs		76,746	60,563
Legal fees		146,111	63,159
Insurance premiums		91,469	60,049
General and office expenses		454,102	301,266
		<u>1,017,646</u>	<u>654,032</u>
<i>Other expenses</i>			
Writedowns of inventory to net realisable value		-	22,037
Net foreign exchange loss		-	17,220
Loss on disposal of plant and equipment		1,212	-
Product research		263,432	204,401
Warranty expenses		472	3,296
		<u>265,116</u>	<u>246,954</u>
NOTE 4: RECEIVABLES			
<i>Current</i>			
Trade receivables		982,741	57,531
Less: provision for impairment		(27,377)	(15,341)
		<u>955,364</u>	<u>42,190</u>
Loan receivable from associate		6,185	-
Convertible loan receivable from associate		-	651,042
Receivables from other related parties		53,042	-
Other receivables		102,749	144,049
		<u>1,117,340</u>	<u>837,281</u>
<i>Non current</i>			
Trade receivables		<u>129,393</u>	<u>-</u>
NOTE 5: OTHER ASSETS			
Prepayments		172,021	125,022
Accrued income		456,887	-
		<u>628,908</u>	<u>125,022</u>

GREENEARTH ENERGY LTD AND CONTROLLED ENTITIES

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 30 JUNE 2016

	Notes	2016 \$	2015 \$
NOTE 6: EQUITY ACCOUNTED INVESTMENTS			
Equity accounted associated entities	(a)	<u>1,925,874</u>	<u>698,826</u>

(a) Associated entities

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

Associates	Equity instrument	Ownership interest		Carrying amounts	
		2016	2015	2016	2015
		%	%	\$	\$
NCF Global Pty Ltd	Ordinary shares	50.00%	0%	1,925,874	-
NewCO2Fuels Limited	Ordinary shares	0%	33.33%	-	638,040
PT Geopower Indonesia	Ordinary shares	40%	40%	-	60,786
				<u>1,925,874</u>	<u>698,826</u>

The principal activity of NCF Global Pty Ltd is technology investment. NCF Global Pty Ltd is incorporated in Australia. During the year, NCF Global Pty Ltd acquired 66.67% of NewCO2Fuels Limited (including the 33.33% previously held by the group) (refer note 6(b)). The principal activity of NewCO2Fuels Limited is the development and commercialisation of technology which focuses on the conversion of CO2 to fuel. NewCO2Fuels Ltd is incorporated in Israel. Although the group's direct ownership interest in NewCO2Fuels Limited is nil at 30 June 2016, its previous 33.33% economic interest is maintained via the group's 50% ownership interest in NCF Global Pty Ltd.

The group's direct investment in NewCO2Fuels Limited at 30 June 2015 was represented in these financial statements by:

	Notes	2016 \$	2015 \$
Convertible loan receivable from associate	4	-	651,042
Equity accounted investment in associate	6(a)	-	638,040
		<u>-</u>	<u>1,289,082</u>

The principal activity of PT Geopower Indonesia is clean technology distribution. PT Geopower Indonesia is incorporated in Indonesia. The carrying amount of the company's equity accounted investment in PT Geopower Indonesia has been reduced to nil in order to provide for the impairment of the company's investment. As Geothermal exploration is no longer the group's primary focus, it is currently reevaluating its strategic objectives in relation to the investment in PT Geopower Indonesia.

The group's investment in PT Geopower Indonesia comprises:

Equity accounted investment in associate	104,298	60,786
Provision for impairment	(104,298)	-
	<u>-</u>	<u>60,786</u>

In each case, the country of incorporation is also the principal place of business.

GREENEARTH ENERGY LTD AND CONTROLLED ENTITIES

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 30 JUNE 2016

	Notes	2016	2015
		\$	\$
NOTE 6: EQUITY ACCOUNTED INVESTMENTS (continued)			

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

(i) Investment acquired during the year - NCF Global Pty Ltd

During the year, the group transferred its 33.33% interest in NewCO2Fuels Ltd ("NCF") to a new company, NCF Global Pty Ltd ("NCF Global"), in exchange for 50% of the share capital of NCF Global. NCF Global also acquired a further 33.33% interest in NCF from Erdi Fuels Pty Ltd (a related entity of the group) in a similar transaction. Following these transactions:

- The group and Erdi Fuels Pty Ltd each own 50% of NCF Global.
- The group and Erdi Fuels Pty Ltd no longer each own 33.33% of NewCO2Fuels Ltd.
- NCF Global owns 66.67% of NewCO2Fuels Ltd.

The group's disposal of its previous 33.33% interest in NCF was in return for 50% of the share capital of NCF Global. The value of the group's 50% interest in NCF Global for accounting purposes at the time of transfer was based on the carrying value of its previous 33.33% interest in NCF at the time of transfer. The carrying amount of the group's investment in NCF Global has also been adjusted for the group's share of NCF Global's result during the remainder of the period, in accordance with equity accounting requirements.

NCF Global is classified as an associate of the group, as the group has assessed that it has significant influence over the operating and financial decisionmaking of NCF Global, but not control. This assessment is based on the rights and obligations of each NCF Global shareholder in relation to decisionmaking and the power to influence variable returns.

NCF Global is classified as a related party of the group, as some of the directors of NCF Global are also directors of Greenearth Energy Ltd.

(ii) Investment disposed during the year - NewCO2Fuels Ltd

As outlined above, the group's previous investment in NewCO2Fuels Ltd ("NCF") was transferred to NCF Global Pty Ltd ("NCF Global") during the year, in exchange for 50% of the share capital of NCF Global. Based on the carrying value of the group's investment in NCF at the time of transfer, the transfer resulted in no net gain or loss on the disposal of the group's investment in NCF, as follows:

Proceeds of disposal	2,577,326	-
Less: carrying amount of investment at disposal	(2,577,326)	-
Gain recognised	<u>-</u>	<u>-</u>

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 30 JUNE 2016

	Notes	2016 \$	2015 \$
NOTE 7: INTANGIBLE ASSETS			
Goodwill at cost	13(b)	2,012,138	-
Accumulated impairment loss		-	-
		<u>2,012,138</u>	<u>-</u>
Software licences at cost		30,261	-
Accumulated amortisation		(19,333)	-
		<u>10,928</u>	<u>-</u>
		<u>2,023,066</u>	<u>-</u>

Goodwill arose due to the to the group's acquisition of Illum-a-Lite Pty Ltd during the year (refer note 13(b)) and relates to the Industrial Energy Efficiency segment and cash generating unit ("CGU").

NOTE 8: PAYABLES

Trade payables		1,184,826	343,705
Amounts payable to related parties		69,788	62,970
Accrued inventory purchases		135,092	130,625
Other payables		792,883	354,238
		<u>2,182,589</u>	<u>891,538</u>

NOTE 9: BORROWINGS

Secured

Loan payable	(i)	451,239	-
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Unsecured

Lease liability		<u>6,084</u>	<u>-</u>
		<u>457,323</u>	<u>-</u>

(i) Loan payable

Amounts totalling \$450,000 were borrowed from a third party during the year at an interest rate of 5% per annum, secured by a security interest granted over certain assets of the company. The liability at balance date represents the principal loan amount together with accrued interest. Subsequent to balance date, the loan was repaid in full and the security discharged.

NOTE 10: OTHER FINANCIAL LIABILITIES

Consideration payable	13	<u>1,927,164</u>	<u>-</u>
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GREENEARTH ENERGY LTD AND CONTROLLED ENTITIES

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 30 JUNE 2016

	Notes	2016 \$	2015 \$
NOTE 11: PROVISIONS			
<i>Current</i>			
Employee benefits		664,236	87,413
Warranty		74,976	-
		<u>739,212</u>	<u>87,413</u>
<i>Non-current</i>			
Employee benefits		80,914	20,542
Restoration costs		15,000	15,000
		<u>95,914</u>	<u>35,542</u>

NOTE 12: SHARE CAPITAL

(a) Issued and paid up capital

299,555,628 (2015: 246,975,003) ordinary shares fully paid		<u>27,747,113</u>	<u>23,708,815</u>
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(b) Movements in shares on issue

	Number of shares		\$	
	2016	2015	2016	2015
Beginning of the financial year	246,975,003	197,580,003	23,708,815	19,716,215
Shares issued during the year:				
- Placement (i)	37,046,250	-	2,963,700	-
- Issued in connection with the acquisition of Ilum-a-Lite (ii)	15,534,375	-	1,242,750	-
- Placement (iii)	-	49,395,000	-	4,198,575
Transaction costs of equity issued	-	-	(168,152)	(205,975)
End of the financial year	<u>299,555,628</u>	<u>246,975,003</u>	<u>27,747,113</u>	<u>23,708,815</u>

- (i) 37,046,250 fully paid ordinary shares were issued during the year for 8 cents per share pursuant to a share placement.
- (ii) 15,534,375 fully paid ordinary shares were issued during the year for 8 cents per share in connection with the acquisition of Ilum-a-Lite Pty Ltd, in satisfaction of \$1,242,750 of non-cash consideration. Refer to note 13 for details of the acquisition.
- (iii) 49,395,000 fully paid ordinary shares were issued during the prior year for 8.5 cents per share pursuant to a share placement.

GREENEARTH ENERGY LTD AND CONTROLLED ENTITIES

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 30 JUNE 2016

NOTE 13: BUSINESS COMBINATIONS

Effective 31 March 2016, the consolidated entity acquired 100% of the share capital of Ilum-a-Lite Pty Ltd. Ilum-a-Lite Pty Ltd specialises in creating highly effective, energy-saving lighting solutions for commercial, industrial and government clients that generate significant cost savings and reduce environmental impact. The business derives the majority of its income by delivering large scale and multi-site lighting upgrades on a supply and install basis as part of Energy Performance Contract upgrades in partnership with leading global energy efficiency technology leaders, and an innovative lighting sales division.

The acquisition complements organic opportunities as part of Vivid Industrial's growth strategy. The combined group now has a unique range of product and service offerings for commercial and industrial clients.

	Notes	2016 \$	2015 \$
(a) Details of purchase consideration			
Cash consideration	(i)	1,377,832	-
Non-cash consideration	(ii)	2,206,332	-
Total purchase consideration		<u>3,584,164</u>	<u>-</u>
Total purchase consideration at acquisition comprised:			
Consideration paid during the year		1,657,000	-
Consideration payable subsequent to balance date	(iii)	1,927,164	-
		<u>3,584,164</u>	<u>-</u>

- (i) \$414,250 cash consideration was paid during the year. A further \$963,582 cash consideration is payable subsequent to balance date.
- (ii) 15,534,375 fully paid ordinary shares were issued during the year for 8 cents per share in satisfaction of \$1,242,750 of non-cash consideration. A further 12,044,775 fully paid ordinary shares are to be issued subsequent to reporting date for 8 cents per share in satisfaction of \$963,582 of non-cash consideration.
- (iii) The total consideration payable subsequent to balance date is recorded as a liability at 30 June 2016 of \$1,927,164 (refer note 10), of which \$963,582 is payable in cash and \$963,582 in non-cash consideration as detailed above.

GREENEARTH ENERGY LTD AND CONTROLLED ENTITIES

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 30 JUNE 2016

NOTE 13: BUSINESS COMBINATIONS (Cont'd)

(b) Assets and liabilities acquired

Assets and liabilities acquired as a result of the business combination were:

Asset and liabilities acquired	
-Cash	76,628
-Trade and other receivables	1,636,928
-Inventory	369,766
-Accrued income	243,894
-Other assets	30,510
-Property, plant and equipment	28,494
-Other intangible assets	13,449
-Trade and other payables	(418,320)
-Provisions	(409,323)
Net identifiable assets acquired	<u>1,572,026</u>
Add: goodwill	<u>2,012,138</u>
Total purchase consideration	<u><u>3,584,164</u></u>

Factors contributing to recognition of goodwill on acquisition include expected synergies from combining the acquirer and acquiree and intangibles that did not qualify for separate recognition.

Goodwill is not deductible for tax purposes.

Contribution since acquisition

Since the acquisition date, Ilum-a-Lite Pty Ltd has contributed revenue of \$1,303,295 and profit after tax of \$326,100 which is included within the consolidated loss. For the full financial year (including prior to acquisition), Ilum-a-Lite Pty Ltd recorded revenue of \$5,731,436 and net profit after tax of \$1,128,616. Had the combination occurred from the beginning of the reporting period, revenue for the consolidated entity would have been \$7,728,399 and the consolidated loss after tax would have been \$4,014,942.

Transaction costs

Transaction costs of \$157,159 were incurred in relation to the acquisition, comprising \$35,000 which is included within consulting expenses within profit or loss, \$9,000 which is included within accounting and audit expenses within profit or loss, and \$113,159 which is included within administrative expenses within profit or loss.

Contingent liability

No contingent liabilities of the acquiree were recognised as part of the acquisition.

GREENEARTH ENERGY LTD AND CONTROLLED ENTITIES

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 30 JUNE 2016

NOTE 14: SEGMENT INFORMATION

(a) Segment information

2016	Industrial Energy Efficiency \$	Technology Investment \$	Other Investments \$	Total \$
Segment revenue				
Total segment revenue	3,106,240	145,199	-	3,251,439
Inter-segment revenue	-	-	-	-
Segment revenue from external source	3,106,240	145,199	-	3,251,439
Segment result				
Total segment result	(2,481,555)	(1,337,891)	(129,780)	(3,949,226)
Inter-segment eliminations	-	-	-	-
Segment result from external source	(2,481,555)	(1,337,891)	(129,780)	(3,949,226)
Items included within segment result:				
Share of net profit/(loss) of associates	-	(1,176,785)	(25,482)	(1,202,267)
Total segment assets	5,611,447	1,933,509	-	7,544,956
Total segment assets include:				
Investment in equity accounted associates	-	1,925,874	-	1,925,874
Additions to non-current assets other than financial instruments and deferred tax assets	51,217	-	-	51,217
Total segment liabilities	4,138,468	-	15,000	4,153,468

The segment "other investments" encompasses the previous segments that existed in relation to the company's geothermal interests. The company's core focus no longer includes geothermal activities, and the former segments related to those activities have now been combined.

GREENEARTH ENERGY LTD AND CONTROLLED ENTITIES

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 30 JUNE 2016

NOTE 14: SEGMENT INFORMATION (continued)

(a) Segment information (continued)

2015	Industrial Energy Efficiency \$	Technology Investment \$	Other Investments \$	Total \$
Segment revenue				
Total segment revenue	1,038,159	-	114,141	1,152,300
Inter-segment revenue	-	-	-	-
Segment revenue from external source	1,038,159	-	114,141	1,152,300
Segment result				
Total segment result	(1,922,805)	(1,041,622)	(2,068,679)	(5,033,106)
Inter-segment eliminations	-	-	-	-
Segment result from external source	(1,922,805)	(1,041,622)	(2,068,679)	(5,033,106)
Items included within segment result:				
Share of net profit/(loss) of associates	-	(773,534)	(30,532)	(804,066)
Total segment assets	716,726	1,289,082	69,019	2,074,827
Total segment assets include:				
Investment in equity accounted associates	-	638,040	60,786	698,826
Additions to non-current assets other than financial instruments and deferred tax assets	120,382	-	-	120,382
Total segment liabilities	468,293	-	15,000	483,293

The segment "other investments" encompasses the previous segments that existed in relation to the company's geothermal interests. The company's core focus no longer includes geothermal activities, and the former segments related to those activities have now been combined. Presentation of the comparative figures for the previous financial year has been updated accordingly.

GREENEARTH ENERGY LTD AND CONTROLLED ENTITIES

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 30 JUNE 2016

Notes	2016	2015
	\$	\$

NOTE 14: SEGMENT INFORMATION (CONTINUED)

(a) Segment information (continued)

(i) Reconciliation of segment revenue to the consolidated statement of comprehensive income

Segment revenue from external source	3,251,439	1,152,300
Other revenue	12,000	12,004
Interest revenue	6,226	9,712
Net foreign exchange gain	30,593	-
Total revenue	<u>3,300,258</u>	<u>1,174,016</u>

(ii) Reconciliation of segment result to the consolidated statement of comprehensive income

Segment result from external source	(3,949,226)	(5,033,106)
Interest revenue	6,226	9,712
Net foreign exchange gain/(loss)	30,593	(17,220)
Unrealised loss on fair value of investments	(3,140)	(8,636)
Depreciation and amortisation	(50,051)	(16,065)
Interest expense	(1,475)	-
Unallocated other income	12,000	12,004
Unallocated expenses	(862,384)	(932,701)
Total loss from continuing operations before income tax	<u>(4,817,457)</u>	<u>(5,986,012)</u>

(iii) Reconciliation of segment assets to the consolidated statement of financial position

Segment assets	7,544,956	2,074,827
Cash and cash equivalents	1,326,296	2,572,164
Unallocated assets	233,787	447,992
Total assets	<u>9,105,039</u>	<u>5,094,983</u>

(iv) Reconciliation of segment liabilities to the consolidated statement of financial position

Segment liabilities	4,153,468	483,293
Unallocated liabilities	1,261,351	531,200
Total liabilities	<u>5,414,819</u>	<u>1,014,493</u>

GREENEARTH ENERGY LTD AND CONTROLLED ENTITIES

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 30 JUNE 2016

Notes	2016	2015
	\$	\$

NOTE 15: SUBSEQUENT EVENTS

Subsequent to the end of the financial year, the company issued a total of 1,500,000 unlisted incentive options in July 2016 pursuant to the company's Employee Option Plan, as follows:

<u>No. of options</u>	<u>Exercise price</u>	<u>Issue date</u>	<u>Expiry date</u>
1,500,000	12.5 cents	13 July 2016	1 July 2019

Subsequent to the end of the financial year, the company issued 50,870,937 fully paid ordinary shares for 7.5 cents per share in August 2016 pursuant to a share placement, proceeds from which totalled \$3,609,555 after costs.

Subsequent to the end of the financial year, the Victorian State Government announced a ban on hydraulic fracturing (a key operation for efficient renewable geothermal production) and an extension of the current onshore drilling moratorium until 2020. The company is currently assessing the extent of any impact of the ban and moratorium extension on its previous investment in geothermal activities. Prior to the beginning of the 2015/2016 financial year, the company provided in full for the impairment of its geothermal exploration and evaluation assets. The company has ceased its geothermal activities and now focuses on technology investment in the industrial energy efficiency and CO₂-to-fuels conversion markets.