



***Greenearth
Energy Ltd.***

ABN 60 120 170 625

**ANNUAL REPORT
2007**

GREENEARTH ENERGY LIMITED

CORPORATE INFORMATION

Directors

Robert J. Annells CPA, F.Fin, ACID
John T. Kopcheff BSc (Hons) (Geology & Geophysics), SPE, AIMM
Robert L. King BSc, Dip Ed. M Env. Studies
Simon R. Molesworth AM QC BA, LL.B, FEIANZ, FAIM, FAICD,
FVPELA, PIA(Hon F), C.Env.P, M.ICOMOS

Company Secretary

Vicki Kahanoff BBus,CPA

Registered Office

Level 11
500 Collins Street
Melbourne Victoria 3000

Telephone: (03) 9629 1566

Facsimile: (03) 9629 1624

Auditors

Pitcher Partners
Level 19 15 William Street
Melbourne Victoria 3000

Bankers

Westpac Banking Corporation
360 Collins Street
Melbourne Victoria 3000

General Manager

Enrico Bombardieri BE, BEc, MSE

Technical Staff and Consultants

Guy Holdgate BSc (Hons), PhD

Address for Correspondence

P.O. Box 300
Collins Street West
Victoria 8007

Email: greenearth@greenearthenergy.com.au

Web site: www.greenearthenergy.com.au

Legal Advisors

Baker & McKenzie
Rialto Level 39
525 Collins Street
Melbourne Victoria 3000

GREENEARTH ENERGY LIMITED

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GREENEARTH ENERGY LIMITED

DIRECTORS' REPORT

The Directors present their report together with the financial report of Greenerth Energy Limited, for the financial period ended 30 June 2007 and Auditors Report thereon.

This Financial Report has been prepared in accordance with Australian Equivalents of International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures compliance with International Financial Reporting Standards (IFRS).

DIRECTORS

The names and details of the Directors in office during the financial period and until the date of this Report are set out below. The directors have been in office for the entire period unless otherwise stated.

Names, qualifications, experience and special responsibilities

Simon R. Molesworth AM QC BA, LL.B, FEIANZ, FAIM, FAICD, FVPELA, PIA(Hon.F), C.Env.P, M.ICOMOS Queen's Counsel (*Non Executive Chairman*) Appointed 30 July 2007

Mr. Molesworth was appointed to the Greenerth Energy Limited Board in the capacity of non-executive chairman on the 30 July 2007. Mr. Molesworth is one of Australia's most experienced QCs specializing in environmental and resource law. He is a fellow of five professional institutes and has been a member of numerous government advisory at both a State and Federal levels, including having reviewed the Victorian Mineral Resources legislation in 2005 and once served for a few months as the Victoria's Mining Warden. Mr Molesworth has served on many boards, mainly as chairman, including a number of publicly listed corporations in the resource field. He is currently a director Alison Hunter Memorial Foundation Limited, Australian Council of National Trusts, and Rippon Lea Endowment Fund Ltd. Mr Molesworth is also the Chairman of the ME/Chronic Fatigue Syndrome Association of Australia and President of the ME/Chronic Fatigue Syndrome Society of Victoria Inc. During the past three years Mr Molesworth has sat on the boards of The Environment Institute of Australia and New Zealand, Earth Foundation Australia Limited and the National Trust of Australia (Victoria).

Robert J. Annells CPA, F.Fin (*Non Executive Director*) Appointed 13 July 2006

Mr. Annells is a former member of the Australian Stock Exchange with over forty years experience in the securities industry and is a qualified accountant. His experience includes provision of corporate and investment advice to the business and resources industries. During the past seven years Mr. Annells has also served as Chairman of ASX listed mining company Minotaur Exploration Limited, and during the past two years been Executive Chairman of Lakes Oil N.L and a Non Executive Director of Gippsland Offshore Petroleum Limited and Chairman of a London based company Xtract Energy PLC.

John T. Kopcheff B.Sc. (Hons)(Geology and Geophysics), SPE, AIMM (*Non Executive Director*) Appointed 13 July 2006

Mr. Kopcheff is a geologist and geophysicist, and holds a Bachelor of Science (Honours) from the University of Adelaide (1970). Following graduation, he has gained extensive petroleum experience in Australia, South East Asia, USA, South America and the North Sea, both in field operations and management. Mr. Kopcheff is the Managing Director of Victoria Petroleum N.L and during the past three years has been a director on the board of Kestrel Energy Inc and currently is a non-executive director of Great Panther Resources Limited.

Robert L. King B.Sc. Dip Ed. M Env, Studies(*Executive Director*) Appointed 13 July 2006

Mr. King had 25 years experience working for the Geological Survey of Victoria. In 1985 he led a team that reviewed the geothermal potential of Victoria and produced a report that formed the basis for the current geothermal legislation. He managed the Geological Mapping and Basin Studies Section in the Geological Survey. Mr. King was the Director of Minerals and Petroleum Regulation Branch that administered all licensing, OHS and environmental law covering offshore and onshore petroleum operations, oil and gas transmission pipelines, mines and quarries. Mr King was a member of a Federal Government team that formed to establish the National Offshore Petroleum Safety Authority (NOPSA). From 2005 he has been a member of the Board of NOPSA.

COMPANY SECRETARY

Vicki M. Kahanoff B Bus, CPA

Mrs Kahanoff is a qualified accountant, who career has been predominately focused in the nature resources sector.

GREENEARTH ENERGY LIMITED

DIRECTORS' REPORT (continued)

INTERESTS IN THE SHARES AND OPTIONS OF THE COMPANY AND RELATED BODIES CORPORATE

The interests in securities of the company and related entities which are held by each Director as at the date of this Report, either directly or indirectly through entities or parties related to him, are:

Name of Director	Securities held in Greenearth Energy Limited		
		Ordinary shares	Options
		2007	2007
S R Molesworth	D	-	-
	I	-	-
R J Annells	D	-	-
	I	1,000,000	1,000,000
J T Kopcheff	D	-	-
	I	1,250,000	1,250,000
R L King	D	-	-
	I	500,000	500,000

Note: D = direct ownership. I = indirect ownership.

The company commenced on 13 July 2006 therefore comparatives for 2006 are not applicable.

CORPORATE INFORMATION

Corporate Structure

Greenearth Energy Limited is a company limited by shares, incorporated and domiciled in Australia. Greenearth Energy Limited has no subsidiary or associate companies.

PRINCIPAL ACTIVITY

The principal activity of the company during the period ended 30 June 2007 was that of geothermal exploration and investment.

RESULTS AND DIVIDENDS

The operating loss for the period ended 30 June 2007 was:

	2007
Operating loss before income tax	130,163
Income tax attributable to operating loss	<u>-</u>
Operating loss after income tax	<u>130,163</u>

During the period ended 30 June 2007, no dividends were paid or declared by the company and the directors do not recommend payment of a dividend.

COMPARATIVE INFORMATION

Given that the period ended 30 June 2007 is the first year of operations for Greenearth Energy Limited, having been incorporated on 13 July 2006 comparative information for prior years operations are non-existent. For this reason there are no comparatives included in the Financial Statements or associated Notes.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied for leave of Court to bring proceedings on behalf of Greenearth Energy Limited.

GREENEARTH ENERGY LIMITED

DIRECTORS' REPORT (continued)

REVIEW OF OPERATIONS

Greenearth Energy Limited was formed by two Petroleum Exploration Companies, Lakes Oil N.L and Victoria Petroleum N.L with the aim to focus on Geothermal Exploration onshore in Victoria. The company applied for and was awarded three Victorian Geothermal Permits. Two permits are located in Latrobe Valley and Gippsland Areas (GEP12 and GEP13). The third permit (GEP 10) is located over the Geelong/Otway area. Since being awarded the permits Greenearth Energy Limited has immediately commenced operations to better understanding the Geothermal potential in its Permits.

Greeneath Energy Limited has participated in 2 deep drilling programs at Hazelwood to 2 km and Boola Boola to 1.7km. This enabled geothermal data collection at these depths to better understand the regional geothermal regime in the Latrobe Valley area (Gippsland permits GEP12 and GEP13)

Work has commenced on reviewing and modelling geophysical data in the permits to better image the basement architecture, particularly in relation to the location of further seismic acquisition in the Latrobe Valley area. Consultants have been engaged to review gravity and magnetics data, and to review existing seismic and integrate that gravity/magnetic data, with a view to better image beneath the thick brown coal sequences of the Latrobe Valley. To date seismic acquisition has been severely attenuated with poor imaging of the underlying sequences.

External consultants have also been engaged to measuring thermal conductivities from representative existing bores (government and Lakes Oil N.L wells) in all permits to better model temperature and heat flow at depth.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

Greenearth Energy Limited intends to conduct an Initial Public Offering (IPO) in the later half of 2007. The company intends to list on the Australian Stock Exchange. It is the directors intention to extend a priority in the offer to existing seed investors and shareholders of Lakes Oil N.L and Victoria Petroleum N.L.

As well as the intended IPO, the technical and exploration program of Greenearth Energy Limited will continue with the aim to understanding the potential of all of its permits. A proposed seismic acquisition program will be undertaken across the Latrobe Valley in the region of the power stations incorporating the results of the current study being conducted on existing seismic to achieve the best coverage options. Magneto Tellurics forward modelling Study and Receiver Function surveys is planned in conjunction with the seismic noted above to further assist in imaging the rock beneath the coals (basal Cretaceous rock and the underlying Palaeozoic).

In terms of exploration, two wells at Alberton and Napier, each to 1.2 km will be completed (rig availability permitting) in the southern part of permit 13. These will be drilled jointly with Lakes Oil N.L. with temperature, coring and thermal conductivity measurements being obtained. This information will be fed into the modelling work being carried out for Greenearth Energy Limited by external Consultants.

A deep well to 4.5 km is planned in the Seaspray area (Permit GEP 13) rig availability permitting. This will be joint funded with Lakes Oil N.L and will test temperature, fracturing characteristics and geothermal fluid characteristics.

Work will also focus on expanding Greenearth Energy Limited's activities by looking at other areas of geothermal interest in the Pacific Rim.

SIGNIFICANT EVENTS AFTER BALANCE DATE

On the 17 September 2007 Greenearth Energy Limited wrote to its members informing of the intention to list and calling upon options to be exercised within 14 days or they expire. If all members exercise their options funds of \$750,000 will be raised

On the 26 September 2007 a second seed capital raising commenced. An invitation was extended to selected investors to contribute seed capital. If all invitations are accepted a further \$500,000 will be raised.

GREENEARTH ENERGY LIMITED

DIRECTORS' REPORT (continued)

ENVIRONMENTAL REGULATION AND PERFORMANCE

The company holds interests in geothermal exploration permits and licenses in Victoria. All of these permits and licenses impose regulations regarding environmental issues. There have been no known breaches of the environmental regulations during the financial period.

SHARE OPTIONS

Unissued shares

As at the date of this report, there were 37,500,000 unissued ordinary shares under options. Refer to note 12 of the financial statements for further details of the options outstanding.

Option holders do not have any right, by virtue of the options, to participate in any share issue of the company or any related body corporate or in the interest issue of any other registered scheme.

Shares issued as a result of the exercise of options

There have been no shares issued during this financial period as a result of the exercising of options.

EMPLOYEES

The entity has not employed any people as at 30 June 2007 in its first year of operations.

DIRECTORS' MEETINGS

During the period ended 30 June 2007 the Directors of the company met once. The names of those individuals who served as Directors of the company during the period, together with the number of meetings which they attended and those for which they were eligible to attend, are detailed below:

Name of Director	Board Meetings	
	Number of meetings Attended during the year	Number of meetings for which they were eligible to attend
Robert J. Annells	1	1
John T Kopcheff	1	1
Robert J King	1	1
Simon R Molesworth	-	-

NON – AUDIT SERVICES

Pitcher Partners did not provide non-audit services to the entity during the financial period.

For the nature and amount of services provided refer to Note 19 of the financial notes.

AUDITORS' INDEPENDENCE

The directors have received a declaration of independence from our auditors, Pitcher Partners, which is attached to the Directors Report.

INDEMINFACTION AND INSURANCE OF DIRECTORS', OFFICERS AND AUDITORS.

No indemnities have been given or insurance premiums paid during or since the end of the financial year, for directors, officers or auditors of the company.

GREENEARTH ENERGY LIMITED

DIRECTORS' REPORT (continued)

DIRECTORS' INTEREST IN CONTRACTS

Directors' interests in contracts are disclosed in Note 20 to Financial Statements.

REMUNERATION REPORT

Directors' Remuneration

Remuneration policy

The board of directors of Greenearth Energy Limited 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 emoluments 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 emolument in a variety of forms including cash and fringe benefits such as expenses payment plans. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the company.

For directors and staff, the company provides a remuneration package that incorporates both cash-based remuneration and share-based remuneration. The contracts for services between the company and specified directors and executives are on a continuing basis the terms of which are not expected to change in the immediate future. Share-based remuneration is conditional upon continuing employment thereby aligning director and shareholder interests. The 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.

The company determines the maximum amount for remuneration, including thresholds for share-based remuneration for directors by resolution.

Named directors and executives

The names and positions of each person who held the position of director at any time during the financial period is provided above. There was only one executive in the company who received remuneration for the financial period:

Executive	Position
Enrico Bombardieri	General Manager

Directors' remuneration

2007	Primary Benefits		Post Employment		Equity Options*	Other Benefits	Total
	Salary & fees	Non Monetary	Superannuation	Retirement Benefits			
R J Annells	-	-	-	-	-	-	-
J T Kopcheff	-	-	-	-	-	-	-
R L King^	70,905	-	-	-	-	-	70,905
S R Molesworth	-	-	-	-	-	-	-
Total Directors remuneration	70,905	-	-	-	-	-	70,905

* The values shown in the column headed "Equity Options" represents the non cash amortised notional value of the options.

^ The values shown represent payment made as a director and chief geologist (paid to Rob King and associates)

Executives' remuneration

2007	Primary Benefits		Post Employment		Equity Options*	Other Benefits	Total
	Salary & fees	Non Monetary	Superannuation	Retirement Benefits			
E Bombardieri	8,334	-	-	-	-	-	8,334
Total Executive Remuneration	8,334	-	-	-	-	-	8,334

* The values shown in the column headed "Equity Options" represents the non cash amortised notional value of the options.

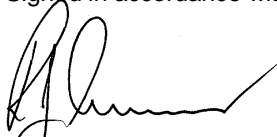
GREENEARTH ENERGY LIMITED

DIRECTORS' REPORT (continued)

Options granted as remuneration that have been exercised or lapsed during the financial period

There were no options granted as remuneration that have been exercised or lapsed during the financial period for the directors and executives of the company as noted above.

Signed in accordance with a resolution of the directors



ROBERT J. ANNELLS

Director

Signed at Melbourne, Victoria on 28 September 2007

AUDITOR'S INDEPENDENCE DECLARATION

To the Directors of Greenearth Energy Limited

In relation to the independent audit for the year ended 30 June 2007, to the best of my knowledge and belief there have been:

- (i) No contraventions of the auditor independence requirements of the Corporations Act 2001.
- (ii) No contraventions of any applicable code of professional conduct.



M W PRINGLE
Partner

28 September 2007



PITCHER PARTNERS
Melbourne

GREENEARTH ENERGY LIMITED

INCOME STATEMENT

For the period ended 30 June 2007	<i>Note</i>	2007 \$
Revenue		
Other income	4	<u>111,939</u>
Depreciation and amortisation expenses	5	(17)
Loss on Fair Value of Investments		(15,071)
Accounting and audit expenses	19	(10,000)
Marketing and promotion expenses		(7,378)
Consulting expenses		(154,132)
Administrative expenses	5	<u>(55,504)</u>
Total expenses		<u>(242,102)</u>
(Loss) before income tax		(130,163)
Income tax expense	6	<u>0</u>
(Loss) from continuing operations	5	<u>(130,163)</u>
(Loss) for the period		<u>(130,163)</u>
(Loss) attributable to the members of the parent		<u>(130,163)</u>
Basic loss per share (cents per share)	15	(0.44)
Diluted loss per share (cents per share)	15	(0.44)

The accompanying notes form part of the financial statements

GREENEARTH ENERGY LIMITED

BALANCE SHEET

As at 30 June 2007	<i>Note</i>	2007 \$
CURRENT ASSETS		
Cash and cash equivalents	14	561,365
Receivables	7	10,520
Financial assets at fair value through profit or loss	8	57,695
TOTAL CURRENT ASSETS		<u>629,580</u>
NON-CURRENT ASSETS		
Plant and equipment	9	3,550
Exploration, evaluation and development	10	671,662
TOTAL NON-CURRENT ASSETS		<u>675,212</u>
TOTAL ASSETS		<u>1,304,792</u>
CURRENT LIABILITIES		
Trade and other payables	11	684,955
TOTAL CURRENT LIABILITIES		<u>684,955</u>
TOTAL LIABILITIES		<u>684,955</u>
NET ASSETS		<u>619,837</u>
EQUITY		
Share capital	12	750,000
Accumulated Losses	13	(130,163)
TOTAL EQUITY		<u>619,837</u>

The accompanying notes form part of the financial statements

GREENEARTH ENERGY LIMITED

STATEMENT OF CHANGES IN EQUITY

For the period ended 30 June 2007	<i>Note</i>	2007 \$
TOTAL EQUITY AT THE BEGINNING OF THE PERIOD		-
(Loss) for the period		<u>(130,163)</u>
Total recognised income and expense for the period		<u>(130,163)</u>
Attributable to:		
Members of the parent		<u>(130,163)</u>
		<u>(130,163)</u>
Transactions with equity holders in their capacity as equity holders:		
Contributions		750,000
TOTAL EQUITY AT THE END OF THE PERIOD		<u><u>619,837</u></u>

The accompanying notes form part of the financial statements

GREENEARTH ENERGY LIMITED

STATEMENT OF CASH FLOW

For the period ended 30 June 2007	Note	2007 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts		-
Payments to suppliers and employees		(192,947)
Payments for exploration and evaluation costs		(31,294)
Interest received		11,228
		<hr/>
NET CASH FLOWS USED IN OPERATING ACTIVITIES	<i>14(a)</i>	(213,013)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of plant and equipment		(3,567)
Proceeds from sale of shares in listed securities		527,945
		<hr/>
NET CASH FLOWS PROVIDED BY INVESTING ACTIVITIES		524,378
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issues of ordinary shares		250,000
		<hr/>
NET CASH FLOWS PROVIDED BY FINANCING ACTIVITIES		250,000
NET INCREASE IN CASH HELD		561,365
Add opening cash brought forward		-
		<hr/>
CLOSING CASH CARRIED FORWARD	<i>14(b)</i>	561,365

The accompanying notes form part of the financial statements

GREENEARTH ENERGY LIMITED

NOTES TO FINANCIAL STATEMENTS

NOTE 1: BASIS OF PREPARATION

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

The financial report covers Greenearth Energy Limited as an individual entity. Greenearth Energy Limited is a company limited by shares, incorporated and domiciled in Australia.

The following is a summary of material accounting policies adopted by Greenearth Energy Limited 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

Compliance with AIFRS

Australian Accounting Standards include Australian Equivalent to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures compliance with International Financial Reporting Standards (IFRS).

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.

(b) Cash and cash equivalents

For the purposes of the Statement of Cash Flows, cash includes cash on hand and in banks.

(c) Investments

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 values of listed investments are based on current bid prices.

(d) Impairment of 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 indicates 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. 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.

(e) Plant and equipment

Each class of plant and equipment are stated at cost less depreciation and any accumulated impairment loss.

The carrying amount of plant and equipment is reviewed annually for impairment by directors to ensure it is not in excess of the recoverable amount from those assets. Refer to note 1(d).

Depreciation

The depreciable amounts of plant and equipment are provided on a diminishing value basis.

The useful lives for each class of assets are:

2007

- computer equipment	3 years
- office equipment	6 years

GREENEARTH ENERGY LIMITED

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 1: BASIS OF PREPARATION (continued)

(f) 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. However, the directors believe 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.

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

Costs on production areas are amortised over the life of the area if interest to which such costs relate on the production output basis. 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.

(g) Payables

Liabilities for trade creditors and other amounts are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the consolidated entity.

Payables to related parties are carried at the principal amount.

(h) Contributed equity

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.

(i) Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and that the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

Interest

Control of the right to receive the interest payment.

Sale of Investments

In respect of sales of fixed assets or investments, the proceeds arising from their sale are recognised when control of the asset is passed to the buyer

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

GREENEARTH ENERGY LIMITED

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 1: BASIS OF PREPARATION (continued)

(j) Taxes

Income tax losses

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.

A balance sheet approach is adopted under which deferred tax assets and liabilities are recognised for temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred tax asset or liability is recognised in relation to temporary differences arising from the initial recognition of an asset or a liability 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 temporary differences and unused tax losses only when 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.

(k) Financial Instruments

Classification

The group classifies its financial instruments in the following categories: financial assets at fair value through profit or loss, loans and receivables. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates the designation at each reporting date.

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 values of listed investments are based on current bid prices.

Loans and Receivables

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

Financial Liabilities

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

(l) Comparatives

Comparatives have not been included in the Financial Statements or notes relating to the financial statements as the company incorporated on 13 July 2007 and the period ended 30 June 2007 is the entity's first year of operations.

NOTE 2: CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are based on management's expectation for the future.

The company makes certain estimates and assumptions concerning the future, which, by definition will seldom represent actual results. The estimates and assumptions that have a significant inherent risk in respect of estimates based on future events, which could have a material impact on the assets and liabilities in the next financial year, are discussed below.

(a) Income taxes

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

GREENEARTH ENERGY LIMITED

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 2: CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(b) 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(d).

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.

NOTE 3: FINANCIAL RISK MANAGEMENT

The company's financial instruments consist mainly of deposits with banks, accounts receivable and payable. The main purpose of non-derivative financial instruments is to raise finance for company operations.

The company does not have any derivative instruments.

Financial Risks

The main risks the company is exposed to through its financial instruments are interest rate risk, liquidity risk and credit risk.

Interest rate risk

The company does not currently have any interest bearing debt. Cash deposits attract interest at the prevailing floating interest rate. The entity's exposure to interest rate risk at 30 June 2007 was:

- cash at bank – floating interest rate

All other financial assets and liabilities are not exposed to interest rate risk.

Foreign currency risk

The group is not exposed to any material fluctuations in foreign currencies.

Liquidity risk

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

Credit risk

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 balance sheet and notes to the financial statements.

The economic entity does not have any material credit risk exposure to any single receivable or group of receivables under financial instruments entered into by the entity.

Fair values

The net fair value of financial assets and financial liabilities approximate their carrying amounts as disclosed in the Balance Sheet and Notes to the Financial Statements.

2007
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NOTE 4: REVENUE

CONTINUING OPERATIONS

Other revenues

Interest - Other persons/corporations	11,228
Gain on sale of listed securities	100,711

Total revenues from continuing operations	111,939
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GREENEARTH ENERGY LIMITED

NOTES TO FINANCIAL STATEMENTS (continued)

2007
\$

NOTE 5: LOSS FROM CONTINUING OPERATIONS

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

(a) Depreciation of non-current assets	
Office equipment	12
Computer equipment	5
Total depreciation expenses	<u>17</u>
(b) Other expenses from ordinary activities include:	
Travel and accommodation	30,708
Legal fees	14,275
Office expenses	10,337
Miscellaneous expenses	184
Total other expenses from ordinary activities	<u>55,504</u>
(c) Specific items	
There are no additional revenues or expenses whose disclosure is relevant in explaining the financial performance of the entity.	

NOTE 6: INCOME TAX

(a) The components of tax expense:

Current tax	-
Deferred tax	-
Under (over) provision in prior years	-
Total income tax expenses	<u>-</u>

(b) Income tax benefit

The prima facie tax, using tax rates applicable in the country of operation, on profit/(loss) differs from the income tax provided in the financial statements as follows:

Loss from ordinary activities	<u>(130,163)</u>
Prima facie tax benefit on loss from ordinary activities	(39,049)
Tax effect of non-deductible expenses	
Non-deductible expenses	<u>7,970</u>
Income tax benefit arising from current year losses	(31,079)
Add:	
Benefit of tax losses not brought to account	<u>31,079</u>
Income tax expense attributable to ordinary activities	<u>-</u>

Income tax losses

Deferred tax assets arising from tax losses of the economic entity not brought to account at balance date as realisation of the benefit is not probable.

31,079

GREENEARTH ENERGY LIMITED

NOTES TO FINANCIAL STATEMENTS (continued)

	2007 \$
NOTE 7: RECEIVABLES	
CURRENT	
Related party receivables	3,280
GST receivable	7,240
	<u>10,520</u>
(a) Related party receivables	
Details of the terms and conditions of related party receivables are set out in note 20.	
NOTE 8: FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	
(a) Investments in listed securities at fair value through profit or loss comprise	
Lakes Oil N.L.	16,695
Victoria Petroleum N.L.	35,000
Victoria Petroleum N.L – Listed Options	6,000
	<u>57,695</u>
NOTE 9: PLANT AND EQUIPMENT	
<i>Office equipment</i>	
At fair value	308
Accumulated depreciation	(12)
	<u>296</u>
<i>Computer equipment</i>	
At fair value	3,259
Accumulated depreciation	(5)
	<u>3,254</u>
Total property, plant and equipment	<u>3,550</u>
Reconciliations	
Reconciliation of the carrying value of plant and equipment at the beginning and end of the current and previous financial year.	
<i>Office equipment</i>	
Carrying amount at beginning	-
Additions	308
Depreciation	(12)
	<u>296</u>
<i>Computer equipment</i>	
Carrying amount at beginning	-
Additions	3,259
Depreciation	(5)
	<u>3,254</u>

GREENEARTH ENERGY LIMITED

NOTES TO FINANCIAL STATEMENTS (continued)

2007
\$

NOTE 10: DEFERRED EXPLORATION, EVALUATION AND DEVELOPMENT COSTS

Exploration and evaluation costs carried forward in respect of mining areas of interest:

Pre-production

- exploration and evaluation phases

Balance at the beginning of the period brought forward

-

Add: net expenditure incurred during the period

671,662

Less: net expenditure written off during the period

-

Total exploration and evaluation costs carried forward

671,662

The ultimate recoupment of costs carried forward for exploration and evaluation phases is dependent on the successful development and commercial exploitation or sale of the respective permit areas.

NOTE 11: PAYABLES (CURRENT)

Trade creditors

44,474

Related Party Creditors

640,481

684,955

(a) Terms and conditions

Terms and conditions relating to the above financial instruments:

- (i) Trade creditors are non-interest bearing and normally are settled on 30 day terms.

(b) Related party payables

Details of the terms and conditions of related party payables are set out in Note 20.

NOTE 12: CONTRIBUTED EQUITY

(a) Issued and paid up capital

37,500,000 Ordinary shares fully paid.

750,000

(b) Movements in shares on issue

	2007	
	Number of shares	\$
Beginning of the financial period	-	-
Issued during the period		
- public equity raising	37,500,000	750,000
- less share issue costs	-	-
End of the financial period	37,500,000	750,000

(c) Terms and condition of contributed equity

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.

GREENEARTH ENERGY LIMITED

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 12: CONTRIBUTED EQUITY (continued)

(d) Share Options

(1) Issued to Directors and Staff

No options have been issued to any directors or staff for their performance or in their capacity as employees of Greenearth Energy Limited.

(2) Issued to third parties

(a) Shareholders who purchased shares with options attached on a one for one basis

Each option entitles the holder to acquire one fully paid ordinary share in the company at a price of 2 cents per share at any time up to and including 14 days after the announcement of Greenearth Energy Limited's intention to list or 30 September 2008, whichever is earliest subject to certain terms and conditions.

	2007 No.
	Total
Balance at start of year	-
Granted during year	37,500,000
Balance at end of year	<u>37,500,000</u>

NOTE 13: ACCUMULATED LOSSES

Accumulated losses	<i>13(a)</i>	<u>(130,163)</u>
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(a) Accumulated losses

Balance at the beginning of the period	-
Net loss attributable to the members of Greenearth Energy Limited	<u>(130,163)</u>
Balance at the end of the period	<u>(130,163)</u>

GREENEARTH ENERGY LIMITED

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 14: STATEMENT OF CASH FLOWS

	2007 \$
(a) Reconciliation of the operating loss after tax to the net cash flows from operations	
Net loss	(130,163)
Non-Cash Items	
Depreciation of plant and equipment	17
Profit on sale of listed securities	(100,711)
Loss on fair value of investments held	15,071
Changes in assets and liabilities	
Increase in exploration and evaluation costs carried forward	(671,662)
Increase in trade and other debtors	(3,280)
Increase in payables	684,955
Increase in Goods and Services Tax receivable	(7,240)
Net cash flows used in operating activities	<u>(213,013)</u>
(b) Reconciliation of cash	
Cash at bank	<u>561,365</u>
Total cash	<u>561,365</u>

NOTE 15: LOSS PER SHARE

Net loss	295,163
Adjustments:	-
- nil	
Loss used in calculating basic and diluted earnings per share	295,163
Weighted average number of ordinary shares on issue used in calculating basic earnings per share	29,797,945
Effect of dilutive securities:	
- Share options	37,500,000
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share	59,595,890
Basic loss per share (cents per share)	0.44
Diluted loss per share (cents per share)	0.44

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.

Conversion, calls, subscriptions or issues after 30 June 2007

Since the end of the financial year no ordinary shares have been issued.

GREENEARTH ENERGY LIMITED

NOTES TO FINANCIAL STATEMENTS (continued)

2007
\$

NOTE 16: EXPENDITURE COMMITMENTS & CONTINGENCIES

(a) Exploration commitments

- not later than one year	281,000
- later than one year and not later than five years	-
Aggregate exploration expenditure contracted for at balance date	<u>281,000</u>

The company retains interests in exploration tenements via direct ownership. To continue these interests a work program is maintained in each tenement for various 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. The company estimates that the minimum funding required to be expended to fulfil its specified program over all interests is in the vicinity of \$6,400,000 over the next five years. In addition to meeting these minimum requirements, other voluntary payments may be paid by the company to advance its various projects.

(b) Contingent liabilities

As at balance date, the company had no contingent liabilities other than as set out in note 16(a) above.

NOTE 17: DIRECTORS' AND EXECUTIVES' COMPENSATIONS

(a) Details of Key Management Personnel

(i) Directors

R J Annells	Non-executive Director (Appointed 13/7/2006)
J T Kopcheff	Non-executive Director (Appointed 13/7/2006)
R L King	Executive Director (Appointed 13/7/2006)
S R Molesworth	Non-executive Chairman (Appointed 30/7/2007)

(ii) Executives

E Bombardieri	General Manager (Appointed 19/6/2007)
---------------	---------------------------------------

(b) Compensation of Key Management Personnel

(i) Principles of Compensation

The board of directors of Greenearth Energy Limited 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 emoluments 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 emolument in a variety of forms including cash and fringe benefits such as expenses payment plans. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the company.

For directors and staff, the company provides a remuneration package that incorporates both cash-based remuneration and share-based remuneration. The contracts for services between the company and specified directors and executives are on a continuing basis the terms of which are not expected to change in the immediate future. Share-based remuneration is conditional upon continuing employment thereby aligning director and shareholder interests. The 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.

Non executive directors receive fees and options and do not receive bonus payments.

The company determines the maximum amount for remuneration, including thresholds for share-based remuneration for directors by resolution.

GREENEARTH ENERGY LIMITED

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 17: DIRECTORS' AND EXECUTIVES' COMPENSATIONS (continued)

(b) Compensation of Key Management Personnel (continued)

(ii) Directors Compensation

2007	Primary Benefits		Post Employment		Equity Options*	Other Benefits	Total
	Salary & fees	Non Monetary	Superannuation	Retirement Benefits			
R J Annells	-	-	-	-	-	-	-
J T Kopcheff	-	-	-	-	-	-	-
R L King ^A	70,905	-	-	-	-	-	70,905
S R Molesworth	-	-	-	-	-	-	-
Total Directors remuneration	70,905	-	-	-	-	-	70,905

* The values shown in the column headed "Equity Options" represents the non cash amortised notional value of the options.

^A The values shown represent payment made as a director and chief geologist (paid to Rob King and Associates).

(iv) Executives Compensation

2007	Primary Benefits		Post Employment		Equity Options*	Other Benefits	Total
	Salary & fees	Non Monetary	Superannuation	Retirement Benefits			
E Bombardieri	8,334	-	-	-	-	-	8,334
Total Executive Remuneration	8,334	-	-	-	-	-	8,334

* The values shown in the column headed "Equity Options" represents the non cash amortised notional value of the options.

(iii) Compensation by Category

	GREENEARTH ENERGY LTD 2007 \$
Short term employment benefits	79,239
Post employment benefits	-
Other long term benefits	-
Termination benefits	-
Share based payments	-
	79,239

(v) Options granted and vested during the year

No remuneration has been received in the form of options to any directors or executives for the year ended 30 June 2007

(c) Loans to Key Management Personnel

There are no loans made by Greenearth Energy Limited to key management personnel, all loans between the company and related parties are disclosed in note 20.

GREENEARTH ENERGY LIMITED

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 18: DIRECTORS' AND EXECUTIVES' EQUITY HOLDINGS

(a) Compensation options: granted and vested during the year

During the financial period no options were granted as equity compensation benefits to any directors or executives.

(b) Share issued on exercise of compensation options

No shares have been issued on exercise of compensation options by any director or executive specified.

(c) Number of Options held by Key Management Personnel

2007		Balance 1 July 2006	Granted as Remuneration	Options Exercised	Net Change Other (Purchases)	Balance 30 June 2007	Total vested 30 June 2007	Total exercisable 30 June 2007	Total unexercisable 30 June 2007
Directors									
R J Annells	D I	- -	- -	- -	- 1,000,000	- 1,000,000	- 1,000,000	- -	- 1,000,000
J T Kopcheff	D I	- -	- -	- -	- 1,250,000	- 1,250,000	- 1,250,000	- -	- 1,250,000
R L King	D I	- -	- -	- -	- 500,000	- 500,000	- 500,000	- -	- 500,000
S R Molesworth	D I	- -	- -	- -	- -	- -	- -	- -	- -
Executives									
E Bombardieri	D I	- -	- -	- -	- -	- -	- -	- -	- -
Total		-	-	-	2,750,000	2,750,000	2,750,000	-	2,750,000

Note: D = direct ownership. I = indirect ownership.

(d) Number of shares held by key management personnel

2007		Balance 1 July 2006		Granted as Remuneration		On Exercise of Options		Net Change Other (Purchases)		Balance 30 June 2007	
		Ord	Pref	Ord	Pref	Ord	Pref	Ord	Pref	Ord	Pref
Directors											
R J Annells	D I	- -	- -	- -	- -	- -	- -	- 1,000,000	- -	- 1,000,000	- -
J T Kopcheff	D I	- -	- -	- -	- -	- -	- -	- 1,250,000	- -	- 1,250,000	- -
R L King	D I	- -	- -	- -	- -	- -	- -	- 500,000	- -	- 500,000	- -
S R Molesworth	D I	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -
Executives											
E Bombardieri	D I	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -
Total		-	-	-	-	-	-	2,750,000	-	2,750,000	-

Note: D = direct ownership. I = indirect ownership.

All equity transactions with specified directors and executives other than those arising from the exercise of remuneration options have been entered into under terms and conditions no more favourable than those the entity would have adopted if dealing at arm's length.

(e) Other transactions and balances with key management personnel

During the period ended 30 June 2007, an amount of \$70,905 excluding GST was paid by Greenearth Energy Limited to Rob King and Associates, a company associated with Mr. R. King, a Director of the company, in respect of consulting services provided by him to the Company. All amounts paid to Director-related entities were charged on commercial and arm's-length terms and conditions.

GREENEARTH ENERGY LIMITED

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 19: AUDITOR'S REMUNERATION

	2007 \$
Amounts paid or due and payable by Pitcher Partners	
- An audit and review of the financial report of the entity	<u>10,000</u>
	<u>10,000</u>

NOTE 20: RELATED PARTY DISCLOSURES

(i) Other related party transactions

Receivables

During this financial period, Greenearth Energy Limited settled accounts with consultants and contractors on behalf of Lakes Oil N.L. totalling \$3,280. As at 30 June 2007 an amount of \$3,280 was receivable by Greenearth Energy Limited.

(ii) Payables

Greenearth Energy Limited participated in a joint drilling program with Lakes Oil N.L in the Gippsland Basin where the two companies' permits overlap. Lakes Oil N.L funded the program on behalf of Greenearth Energy Limited which is to be repaid at a later date. An amount of \$640,481 is payable to Lakes Oil N.L who are a major shareholder in Greenearth Energy Limited.

(iii) Director transactions

No other benefits have been received, or are receivable, by Directors of the company, other than those already disclosed elsewhere in the Notes to the Financial Statements.

NOTE 21: SEGMENT INFORMATION

Segment locations

The entity's operating company is organised and managed separately according to the location of the investment.

Geographically, the company operates in one predominant segment, being Australia. The head office and all investment activity takes place in Australia.

Segment accounting policies

The group generally accounts for inter-segment sales and transfers as if the sales or transfers were to third parties at current market prices. Revenues are attributed to geographic areas based on the location of the assets producing the revenues.

Segment accounting policies are the same as the consolidated entity's accounting policies described in Note 1. During the financial period there were no changes in segment accounting policies that had a material effect on the segment information.

SEGMENT INFORMATION – PRIMARY SEGMENT

Geographic segment

The economic entity operates solely in one geographic areas being Australia.

GREENEARTH ENERGY LIMITED

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 22: SEGMENT INFORMATION – SECONDARY SEGMENT

Business segment

The economic entity operates in the industry of geothermal exploration and investment.

	Exploration	Investment	Consolidated
	2007	2007	2007
	\$	\$	\$
Segment revenue	11,228	100,711	111,939
Expenses	(242,102)	-	(242,102)
Segment results	<u>(230,874)</u>	<u>100,711</u>	<u>(130,163)</u>
Segment assets	1,247,097	57,695	1,304,792
Segment liabilities	(684,955)	-	(684,955)
Other segment information			
Acquisition of plant and equipment, and other non-current assets.	675,212	-	-

NOTE 23: SUBSEQUENT EVENTS

On the 17 September 2007 Greenearth Energy Limited wrote to its members informing of the intention to list and calling upon options to be exercised within 14 days or they expire. If all members exercise their options funds of \$750,000 will be raised.

On the 26 September 2007 a second seed capital raising commenced. An invitation was extended to selected investors to contribute seed capital. If all invitations are accepted a further \$500,000 will be raised.

No other events of any significance has occurred since 30 June 2007.

GREENEARTH ENERGY LIMITED

DIRECTOR'S DECLARATION

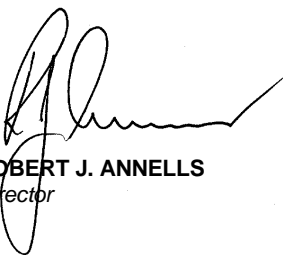
The directors declare that the financial statements and notes set out on pages 10 to 27 are in accordance with the Corporations Act 2001:

- (a) complying with Accounting Standards and Corporations Regulations 2001, and other mandatory professional reporting requirements; and
- (b) giving a true and fair view of the financial position of the company as at 30 June 2007 and of its performance as represented by the results of its operations, changes in equity and their cash flows for the period ended on that date.

In the directors' opinion here are reasonable grounds to believe that Greenearth Energy Limited 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 to the directors in accordance with section 295A of the Corporations Act 2001 for the financial period ending 30 June 2007.

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



ROBERT J. ANNELLS
Director

Signed at Melbourne, Victoria on 28 September 2007

**GREENEARTH ENERGY LIMITED
ABN 60 120 170 625**

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

We have audited the accompanying financial report of Greenearth Energy Limited, which comprises the Balance Sheet as at 30 June 2007, and the Income Statement, Statement of Changes in Equity and Cash Flow Statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors' of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies 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. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

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

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

Independence

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

**INDEPENDENT AUDIT REPORT
TO THE MEMBERS OF GREENEARTH ENERGY LIMITED**

Auditor's Opinion


In our opinion,

(a) the financial report of is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the company's financial position as at 30 June 2007 and of its performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

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


M W PRINGLE
28 September 2007


PITCHER PARTNERS
Melbourne