ENVIROMISSION LIMITED
AND CONTROLLED ENTITIES

ABN: 52 094 963 238

Financial Report For The Year Ended
30 June 2013

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DIRECTORS' REPORT

Your directors present their report, together with the financial statements of the Group, being the Company and its controlled entities for the financial year ended 30 June 2013.

Principal Activities and Significant Changes in Nature of Activities

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

Operating Results and Review of Operations for the year

Operating Results

The consolidated loss of the consolidated group amounted to $1,420,723 (2012: $1,599,560) after providing for income tax. This represented an 11% decrease in loss on the result reported for the year ended 30 June 2013.

Review of Operations

Finance

Commercialisation of regional licenses to develop EnviroMission's Solar Tower technology has dominated the corporate operations of EnviroMission Limited in Australia over the 2012-2013 financial year.

Strategy to maximise the value of EnviroMission's intellectual property in parallel with development objectives in Arizona has provided important working capital and demonstrated strong interest and confidence in the prospects for Solar Tower development based on the due diligence that has been undertaken by developers.

EnviroMission is compliant of the rules for continuous disclosure however from time to time commercial agreements prevent the level of disclosure that would more fully satisfy shareholder's appetites for information as well as the company's desire to report all aspects of productivity and traction – the Texas development licence agreement is a case in point.

The Texas based development consortia, Apollo Development LLC, first expressed interest in acquiring an exclusive development license to build and operate Solar Towers in the State of Texas in 2011 – the process to the signing of the Heads of Agreement in 2013 and execution of related milestones has tended to be intensely administrative and confidential in nature.

EnviroMission can summarise the progress with Apollo Development as commercial and progressive i.e. EnviroMission will own a minimum of 15% of the Texas venture (free carried, non-diluting from an initial 20%) and Apollo has paid to EnviroMission US$500k of a US$2M development fee to be finalised by December 31, 2013 (this date was extended in good faith by mutual consent).

Apollo has informed EnviroMission that it has identified sites in the El Paso region for the development of up to three Solar Towers in compliance with the development licence Heads of Agreement.

In 2011, EnviroMission reported licence discussions for the India market would occupy a priority of EnviroMission's global development strategy; this has culminated in a commercial-in-confidence Memorandum of Understanding subject to the developer/investor obtaining finance to execute the agreement.

EnviroMission has fielded 'enquiries of substance' out of the Middle East with one specifically resulting in a non-disclosure agreement to move negotiations forward for the commercial terms and scope of Solar Tower development/s in the region.

EnviroMission's US based subsidiary, EnviroMission Inc has reported progress with site specific front end engineering and design for the La Paz development with continuing input and support from its key operational partners in the US, Faithful + Gould, and Hensel Phelps.

The opportunity arising from the termination of the PPA with the Southern California Public Power Authority (September 2012) has been seized by EnviroMission to conduct open market negotiations for the future sale of power from the planned La Paz Solar Tower that will also leverage on the current energy policy environment in the US that is giving priority to home grown, and where possible, renewable energy projects to build the foundation of a clean energy economy in the US.

The September 2013 Australian federal election delivered government to the Liberal National Party with reforms of relevance to EnviroMission now anticipated in energy, environment, and infrastructure.

EnviroMission's decision to shift the development of Solar Tower technology to the United States followed the release of the then Howard government's Energy White Paper – it did not underscore a priority for large-scale renewable energy development in Australia; nor did the reach of that federal government's Low Emission Technology Demonstration Fund (LETDF) extend to EnviroMission's large-scale Solar Tower proposal - despite EnviroMission having been awarded Major Project Facilitation status from the Howard Government.

EnviroMission's concerns around political will for the development of large-scale solar renewable power station technology in Australia continued over the term of the Rudd, Gillard, Rudd government with little cause for encouragement found in Labor's long overdue Energy White Paper.

The Liberal National Party's energy policy will be outlined in its own Energy White Paper that is expected to be published in late 2014 after broad consultation.

EnviroMission will make submissions to that process to take the argument to the Abbott government for a need for large-scale grid connected solar power station technology within Australia's energy mix.

The impact of the commercial necessity to mothball Solar Tower development in Australia was always a deep blow to EnviroMission and its shareholders, and despite a strong case for development in the United States and other markets, EnviroMission will now seek to lift the stakes for Australian development via energy policy outcomes.

Financial Position

The net liabilities of the consolidated group have decreased by $380,788 from $1,217,737 in 30 June 2012 to $836,949 in 30 June 2013.

The consolidated group has decreased its borrowings by $411,472 from $477,959 in 30 June 2012 to $66,487 in 30 June 2013.

The directors of the Group remain confident that further capital can be raised in both Australian and US markets to meet the debts of the Group when they fall due and pursue the successful development of solar towers, insuring that the Group can fund its operation and continue as a going concern. The successful completion of these future capital raisings will restore the net asset position of the Group.

Significant Changes in State of Affairs

In the opinion of the directors, there have been no other significant changes in the Group's state of affairs or principal activities during the twelve months to 30 June 2013.

Dividends Paid or Recommended

No dividends were paid or declared during the financial year.

Events after the Reporting Period

The directors are not aware of any other significant events that have occured after balance date.

Future Developments, Prospects and Business Strategies

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

Environmental Issues

Energy Efficiency Opportunities Guidelines

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

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

Clean Energy Legislative Package

The Clean Energy Legislative Package, which included the Clean Energy Act 2011, was passed by the Australian Government in November 2011. It sets out the way that the Government will introduce a carbon price to reduce Australia's carbon pollution and move to a clean energy future.

There is presently uncertainty in relation to the impacts of this carbon pricing mechanism, which could potentially affect the assumptions underlying value-in-use calculations used for asset impairment testing purposes. The company has not incorporated the effect of any carbon price implementation in its impairment testing at 30 June 2012.

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Energy Efficiency Opportunities Guidelines

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Clean Energy Act 2011

In November 2011, the Federal Parliament passed the Clean Energy Act 2011, which implements a carbon pricing mechanism from 1 July 2012. Under the mechanism, entities that produce over the threshold level of carbon emissions will be required to purchase permits to offset their carbon emissions.

The Group is not directly impacted by the carbon pricing mechanism because it does not control facilities that produce emissions greater than the threshold level. However, the Group will be indirectly impacted by the mechanism through increases in the prices it pays for energy and materials purchased from suppliers that are impacted by the introduction of the mechanism. The Group also anticipates that it will experience an increase in expenditures related to waste disposal under the carbon pricing mechanism, although any future increases in such costs are likely to be less significant than the anticipated increases in energy and material costs.

Management of the Group has considered whether the introduction of the carbon pricing mechanism is an impairment indicator and has determined that it is not expected to have a significant impact on the estimated net cash flows of the Group's operations or the recoverability of its assets, principally because the Group has the capacity to pass on any increases in production costs through its contracts with customers.

Information on Directors

Roger C Davey	—	Executive Chairman, Chief Executive Officer
Qualifications	—	B.Bus, CPA, CFTP
Experience	—	Mr Davey is the executive director and Chief Executive Officer of the Company, Mr Davey has extensive working knowledge of, and experience in, commodity and financial risk management. Mr Davey holds qualifications of Bachelor of Business (Economics/Accounting), Member of Certified Practising Accountants, Member of the Securities Institute of Australia and Member of the Finance and Treasury Association Limited. Mr Davey was a director of Australia's largest stockbroking firm, McIntosh Securities Ltd (now Merrill Lynch) and he was responsible for the creation and development of financial futures operations as managing director of McIntosh Risk Management Ltd. He was also a director of the Sydney Futures Exchange Ltd and Bain Refco Commodities Ltd, a large brokerage house owned by Refco Inc, of the USA and Deutsche Bank AG. Mr Davey was responsible for the creation and development of the clearing services offered by Deutsche Bank Australia. He has also been a director and Chief Financial Officer of companies listed in Australia, USA and Canada, one with a triple listing on the Vancouver Stock Exchange, NASDAQ and the ASX.
Interest in Shares	—	50,553,406
Interest in Options	—	29,500,000
Directorships held in other listed entities during the three years prior to the current year	—	Nil
David N Galbally QC	—	Non-Executive Director
Qualifications	—	B Juris LLB
Experience	—	Mr Galbally has extensive experience in areas of criminal law, white collar crime, corporate law media and sports law. David adds a depth of experience in corporate governance and due diligence processes to the board of EnviroMission. Mr Galbally is an accredited mediator and also has wide ranging experience in environmental and Occupational Health and Safety matters. Mr Galbally was a partner in the legal firm of Galbally & O'Bryan from 1977 to 1983, appointed Queens Council in 1996 and partner in the firm Browne and Co from 2000 to 2009. He is currently a partner with Madwicks Lawyers since 2010. Service to the community is highlighted by Mr Galbally's board appointments that include patron of Mental Health Council of Australia and the Epilepsy Foundation, honorary chair of the board of the Royal Children's Hospital for Hormone Research and President of Alzheimer's.
Interest in Shares	—	2,250,000
Interest in Options	—	7,800,000
Directorships held in other listed entities during the three years prior to the current year	—	GNV Limited
Andrew J Draffin	—	Chief Financial Officer and Company Secretary
Qualifications	—	B.Bus, CA
Experience	—	Andrew Draffin is a partner of the accounting firm Draffin Walker & Co. He holds a Bachelor of Commerce and is a member of the Institute of Chartered Accountants in Australia. Andrew is a director and Chief Financial Officer of both listed and private companies across a broad range of industries. His focus is on financial reporting, treasury management, management accounting and corporate services, areas where he has over 16 years experience.
Interest in Shares	—	6,287,428
Interest in Options	—	3,528,000
Directorships held in other listed entities during the three years prior to the current year	—	MRI Holdings Limited, Gladiator Resources Limited

Company Secretary

Mr Andrew Draffin was appointed on 2 March 2009.

Meetings of Directors

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

Attendances by each director during the year were as follows:

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

Indemnifying Officers or Auditor

The company has paid a premium of $15,357 to insure directors against liabilities for costs and expenses incurred by them in defending legal proceedings arising from their conduct while acting in the capacity of directors of the company, other than conduct involving a wilful breach of duty in relation to the company.

Options

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

Issuing entity	Grant Date	Number of shares under option	Class of shares	Exercise price	Expiry Date
EnviroMission Limited	17 June 2010	32,000,000	Ordinary	10 cents	15 September 2014
EnviroMission Limited	17 June 2010	19,000,000	Ordinary	20 cents	15 September 2014
EnviroMission Limited	17 June 2010	3,684,648	Ordinary	5 cents	15 September 2014
EnviroMission Limited	2 September 2011	2,750,000	Ordinary	6 cents	15 September 2014
EnviroMission Limited	27 September 2011	833,333	Ordinary	6 cents	15 September 2014
EnviroMission Limited	6 December 2011	3,461,538	Ordinary	5.2 cents	15 September 2014
EnviroMission Limited	16 December 2011	43,800,000	Ordinary	7 cents	15 September 2014
EnviroMission Limited	21 February 2012	1,728,571	Ordinary	7 cents	15 September 2014
EnviroMission Limited	28 February 2012	6,692,857	Ordinary	7 cents	15 September 2014
EnviroMission Limited	15 March 2012	3,300,000	Ordinary	8 cents	15 September 2014
EnviroMission Limited	5 April 2012	1,277,777	Ordinary	9 cents	15 September 2014
EnviroMission Limited	1 May 2012	3,099,999	Ordinary	9 cents	15 September 2014
EnviroMission Limited	27 September 2012	3,416,666	Ordinary	6 cents	15 September 2014
EnviroMission Limited	11 January 2013	5,583,333	Ordinary	3 cents	15 September 2014
EnviroMission Limited	8 March 2013	9,897,281	Ordinary	5 cents	15 September 2014
EnviroMission Limited	11 April 2013	9,400,000	Ordinary	5 cents	15 September 2014
		149,926,003			

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

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

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

During the year ended 30 June 2013, no ordinary shares of EnviroMission Limited were issued on the exercise of options granted. No amounts are unpaid on any of the shares.

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

Proceedings on Behalf of Company

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

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

Non-audit Services

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

Auditor’s Independence Declaration

The lead auditor’s independence declaration for the year ended 30 June 2013 has been received and can be found on page 16 of the Financial Report.

REMUNERATION REPORT

Remuneration policy

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

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

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

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

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

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

Performance-based Remuneration

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

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

Relationship between Remuneration Policy and Company Performance

The remuneration policy has been tailored to increase goal congruence between shareholders, directors and executives. Two methods have been applied to achieve this aim, the first being a performance-based bonus based on key performance indicators, and the second being the issue of options to the majority of directors and executives to encourage the alignment of personal and shareholder interests. No bonus or performance based options were issued during the financial year ending 30 June 2013.

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

	2009	2010	2011	2012	2013
	$	$	$	$	$
Revenue	14,050	(98,286)	259,574	49,235	383,013
Net Loss	(11,634,372)	(4,956,491)	(1,168,726)	(1,599,560)	(1,420,723)
Share Price at Year-end	5c	2c	2c	4c	3c

Performance Conditions Linked to Remuneration

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

Employment Details of Members of Key Management Personnel

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

	Company	Position Held as at 30 June 2013 and any change during the year
Group Key Management Personnel		
Roger C Davey	EnviroMission Limited	Director
	SolarMission Limited	Director and Company Secretary
	Pure Solar Power (IP) Pty Ltd	Director
	SolarMission Technologies, Inc.	Director
	EnviroMission, Inc. (Incorporated on 22 November 2011)	Director
	EnviroMission Capital, LLC. (Incorporated on 22 November 2011)	Director
	EnviroMission Management Co., LLC (Incorporated on 22 November 2011)	Director
	La Paz Solar Tower LLC (Formerly known as EnviroMission (USA), Inc.)	Director
David N Galbally QC	SolarMission Limited	Director
	EnviroMission, Inc. (Incorporated on 22 November 2011)	Director
	EnviroMission Capital, LLC. (Incorporated on 22 November 2011)	Director
	EnviroMission Management Co., LLC (Incorporated on 22 November 2011)	Director
	La Paz Solar Tower LLC (Formerly known as EnviroMission (USA), Inc.)	Director
Andrew J Draffin	EnviroMission Limited	Director, Company Secretary and Chief Financial Officer
Christopher J Davey	EnviroMission, Inc. (Incorporated on 22 November 2011)	Director
	EnviroMission Capital, LLC. (Incorporated on 22 November 2011)	Director
	EnviroMission Management Co., LLC (Incorporated on 22 November 2011)	Director
	La Paz Solar Tower LLC (Formerly known as EnviroMission (USA), Inc.)	Director
Kim Forte	SolarMission Limited	Director
	Pure Solar Power (IP) Pty Ltd	Director
	EnviroMission, Inc. (Incorporated on 22 November 2011)	Director
	EnviroMission Capital, LLC. (Incorporated on 22 November 2011)	Director
	EnviroMission Management Co., LLC (Incorporated on 22 November 2011)	Director
	La Paz Solar Tower LLC (Formerly known as EnviroMission (USA), Inc.)	Director
David Rodli	SolarMission Technologies, Inc.	Director and Company Secretary

Doug Fant	EnviroMission, Inc. (Incorporated on 22 November 2011)	Company Secretary
	EnviroMission Capital, LLC. (Incorporated on 22 November 2011)	Company Secretary
	EnviroMission Management Co., LLC (Incorporated on 22 November 2011)	Company Secretary
	La Paz Solar Tower LLC (Formerly known as EnviroMission (USA), Inc.)	Company Secretary
George Horvath	SolarMission Technologies, Inc.	Director
Bill Willey	SolarMission Technologies, Inc.	Director

	Proportions of elements of remuneration related to performance			Proportions of elements of remuneration not related to performance		
	Non-salary cash based incentives $	**Shares/ Units $**	**Options/ Rights $**	**Fixed Salary/Fees $**	**Total $**	**Total outstanding as at 30 June 2013 $**
Group Key Management Personnel						
Roger C Davey	-	-	-	339,603	339,603	689,547
David N Galbally QC	-	-	-	60,000	60,000	120,000
Andrew J Draffin	-	-	-	121,175	121,175	158,000
Christopher J Davey	-	-	-	204,445	204,445	60,893
Kim Forte	-	-	-	224,603	224,603	10,909
David Rodli	-	-	-	159,316	159,316	63,042
Doug Fant	-	-	-	3,505	3,505	3,936
George Horvath	-	-	-	1,947	1,947	-
Bill Willey	-	-	-	1,947	1,947	-
	-	-	-	1,116,541	1,116,541	1,106,327

Remuneration Details for the Year Ended 30 June 2013

The following table of benefits and payments details, in respect to the financial year, the components of remuneration for each member of KMP of the consolidated group:

Table of Benefits and Payments for the year ended 30 June 2013

	Short-term benefits				Equity-settled share-based payments		
2013	Salary, Fees and Leave $	Profit Share and bonuses $	Non-monetary $	Other $	Shares/Units $	Options/Rights $	Total $
Group Key Management Personnel							
Roger C Davey	339,603	-	-	-	-	-	339,603
David N Galbally QC	60,000	-	-	-	-	-	60,000
Andrew J Draffin	121,175	-	-	-	-	-	121,175
Christopher J Davey	204,445	-	-	-	-	-	204,445
Kim Forte	192,756	-	-	-	31,847	-	224,603
David Rodli	159,316	-	-	-	-	-	159,316
Doug Fant	3,505	-	-	-	-	-	3,505
George Horvath	1,947	-	-	-	-	-	1,947
Bill Willey	1,947	-	-	-	-	-	1,947
	1,084,694	-	-	-	31,847	-	1,116,541

	Short-term benefits				**Equity-settled share-based payments**		
2012	Salary, Fees and Leave $	Profit Share and bonuses $	Non-monetary $	Other $	Shares/Units $	Options/Rights $	Total $
Group Key Management Personnel							
Roger C Davey	325,000	-	-	-	-	-	325,000
David N Galbally QC	60,000	-	-	-	-	-	60,000
Andrew J Draffin	99,350	-	-	-	21,000	-	120,350
Christopher J Davey	210,000	-	-	-	-	-	210,000
Kim Forte	47,328	-	-	-	162,672	-	210,000
David Rodli	23,226	-	-	-	-	-	23,226
Doug Fant	13,943	-	-	-	-	-	13,943
George Horvath	5,810	-	-	-	-	-	5,810
Bill Willey	5,810	-	-	-	-	-	5,810
	790,467	-	-	-	183,672	-	974,139

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

Roger C Davey

Director

Melbourne, 30th September 2013

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

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

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

The Company has complied with the ASX Best Practice Recommendations except for the circumstances included on pages 13-15 which sets out the ASX Best Practice Recommendations with which the Company has not complied in the reporting period.

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

The Board of Directors

Role of the Board

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

- the establishment of the long term goals of the Company and strategic plans to achieve those goals;
- monitoring the achievement of those goals;
- the review of management accounts and reports to monitor the progress of the Company;
- the review and adoption of budgets for the financial performance of the Company and monitoring the results on a regular basis to assess performance;
- the review and approval of the annual and half-year financial reports;
- nominating and monitoring the external auditor plus undertaking the duties that ordinarily would be assigned to an audit committee;
- approving all significant business transactions;
- appointing and monitoring senior management and performing the role of the remuneration committee;
- all remuneration, development and succession issues; and
- ensuring that the Company has implemented adequate systems of risk management and internal control together with appropriate monitoring of compliance activities.

The Board evaluates this policy on an ongoing basis.

Board performance review

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

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

Board composition

The Directors' Report contains details of the directors' skill, experience and education as set out on page 4 & 5. The Board seeks to establish a Board that consists of directors with an appropriate range of experience, skill, knowledge and vision to enable it to operate the Company's business with excellence. To maintain this, the Company's policy is that executive directors should serve at least 3 years. At the completion of the first 3 years, the position of the director is reviewed to ascertain if circumstances warrant a further term.

At 30 June 2013, the board comprises an executive Chairman, one non independent non-executive director and one independent non-executive director.

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

Retirement and re-election of directors

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

Independence of directors

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

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

Independent professional advice

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

Directors’ remuneration

Details of the Company’s remuneration policies are included in the “Remuneration Report” section of the Directors’ Report.

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

Ethical Standards

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

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

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

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

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

Audit Committee

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

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

Continuous Disclosure

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

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

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

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

Shareholders

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

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

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

Managing Business Risk

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

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

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

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

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

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

Internal controls

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

- ensure appropriate follow-up of significant audit findings and risk areas identified;
- review the scope of the external audit to align it with board requirements; and
- conduct a detailed review of the published accounts.

Environmental Regulation

The Consolidated Group is not subject to any environmental regulations.

Diversity Policy

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

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

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

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

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

	30-Jun-13		30-Jun-12	
	No.	%	No.	%
Women on the Board	-	-	-	-
Women in senior management roles	1	33%	1	33%
Women employees in the company	-	-	-	-

Compliance with ASX Corporate Governance Council Good Practice Recommendations

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

	Description	Compiled	Note
1.1	Formalise and disclose the functions reserved to the board and those delegated to senior executives. These functions are set out under *Role of the board* and *Role of management* in this statement.	Yes	
1.2	Disclose the process for evaluating the performance of senior executives	Yes	
1.3	Provide the information indicated in the Guide to reporting on Principle 1.	Yes	
2.1	A majority of the board should be independent directors.	No	1
2.2	The chairperson should be an independent director.	No	2
2.3	The roles of chairperson and chief executive officer should not be exercised by the same individual.	No	3
2.4	The board should establish a nomination committee.	No	4
2.5	Disclose the process for evaluating the performance of its board, committees and individual directors.	Yes	
2.6	Provide the information indicated in the Guide to reporting on Principle 2.	No	5
3.1	Establish a code of conduct to guide the directors, the chief executive officer (or equivalent) and any other key executives as to:		
3.1.1	- the practices necessary to maintain confidence in the Company's integrity;	Yes	
3.1.2	- the practices necessary to take into account legal obligations and reasonable expectations of stakeholders;	Yes	
3.1.3	- the responsibilities and accountability of individuals for reporting and investigating reports of unethical practices.	Yes	
3.2	Establish and disclose the diversity policy of the Company.	Yes	
3.3	Establish and disclose the measurable objectives for achieving gender diversity and progress towards achieving those goals.	Yes	
3.4	Disclose the proportion of women employees in the organisation, in senior executive positions and on the board.	Yes	
3.5	Provide the information indicated in the Guide to reporting on Principle 3.	Yes	
4.1	The board should establish an audit committee.	No	6
4.2	Structure the audit committee so that it consists of: - only non-executive directors - a majority of independent directors - an independent chairperson, who is not chairperson of the board - at least three members	No	7
4.3	The audit committee should have a formal charter.	No	8
4.4	Provide the information indicated in the Guide to reporting on Principle 4.	No	9
5.1	Establish and disclose written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements to ensure accountability at a senior executive level for that compliance.	Yes	

5.2	Provide the information indicated in the Guide to reporting on Principle 5.	Yes	
6.1	Design and disclose a communication strategy to promote effective communication with the shareholders and encourage effective participation at general meetings - refer to *Continuous disclosure and shareholder communication* as set out above.	Yes	
6.2	Provide the information indicated in the Guide to reporting on Principle 6.	Yes	
7.1	Establish and disclose policies for oversight and management of material business risks.	Yes	
7.2	Design and implement risk management and internal control systems to manage and report on material business risks. Disclose reporting as to effectiveness of management of material business risks.	Yes	
7.3	Disclose whether the board as received assurance from the chief executive officer and chief financial officer that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	Yes	
7.4	Provide the information indicated in the Guide to reporting on Principle 7.	Yes	
8.1	Establish a remuneration committee.	No	10
8.2	Structure the remuneration committee so that it consists of: - a majority of independent directors - an independent chairperson - at least three members		
8.3	Clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.		
8.4	Provide the information indicated in the Guide to reporting on Principle 8.	No	11

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2013 there have been no contraventions of:

i. the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

ii. any applicable code of professional conduct in relation to the audit.

MSI Ragg Weir

MSI RAGG WEIR
Chartered Accountants

L.S.WONG
Partner

Melbourne: 30 September 2013

ENVIROMISSION LIMITED ABN: 52 094 963 238
AND CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2013

	Note	Consolidated Group 2013 $	Consolidated Group 2012 $
Continuing operations			
Revenue	3	376,609	42,879
Other income	3	6,404	6,356
Employee benefits expense		(85,487)	(69,626)
Contracting & consulting costs		(1,133,614)	(768,062)
Corporate costs		(286,638)	(428,946)
Loss on disposal of shares		-	(36,912)
Occupancy costs		(79,313)	(90,583)
Travel costs		(11,344)	(21,515)
Other expenses from ordinary activities		(170,700)	(144,774)
Audit fees		(33,100)	(29,800)
Depreciation and amortisation expense		(300)	(1,720)
Finance costs		(3,240)	(56,857)
Loss before income tax	4	(1,420,723)	(1,599,560)
Income tax expense	5	-	-
Loss after Income tax		(1,420,723)	(1,599,560)
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Exchange difference on translating foreign controlled entities		(62,326)	32,802
Items that may be reclassified subsequently to profit or loss		-	-
Other comprehensive income for the year, net of tax		(62,326)	32,802
Total comprehensive income for the year		(1,483,049)	(1,566,758)
Net loss attributable to:			
Members of the parent entity		(1,420,723)	(1,599,560)
Non-controlling interest		-	-
		(1,420,723)	(1,599,560)
Total comprehensive income attributable to:			
Members of the parent entity		(62,326)	32,802
Non-controlling interest		-	-
		(62,326)	32,802
Earnings per share			
Basic loss per share (cents)	9	(0.33)	(0.43)

The accompanying notes form part of these financial statements.

ENVIROMISSION LIMITED ABN: 52 094 963 238
AND CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2013

	Note	Consolidated Group 2013 $	2012 $
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	10	232,776	341,112
Trade and other receivables	11	1,826,756	17,537
Other assets	15	4,807	4,807
TOTAL CURRENT ASSETS		2,064,339	363,456
NON-CURRENT ASSETS			
Property, plant and equipment	13	477	777
Intangible assets	14	1,127,188	1,107,017
Other non-current assets	15	8,807	14,925
TOTAL NON-CURRENT ASSETS		1,136,472	1,122,719
TOTAL ASSETS		3,200,811	1,486,175
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	16	1,059,782	1,076,821
Deferred Income	17	1,804,067	-
Borrowings	18	66,487	477,959
TOTAL CURRENT LIABILITIES		2,930,336	1,554,780
NON-CURRENT LIABILITIES			
Trade and other payables	16	1,107,424	1,149,132
TOTAL NON-CURRENT LIABILITIES		1,107,424	1,149,132
TOTAL LIABILITIES		4,037,760	2,703,912
NET LIABILITIES		(836,949)	(1,217,737)
EQUITY			
Issued capital	19	34,899,648	33,035,811
Reserves	26	398,164	460,490
Accumulated losses		(36,134,761)	(34,714,038)
TOTAL EQUITY		(836,949)	(1,217,737)

The accompanying notes form part of these financial statements.

ENVIROMISSION LIMITED ABN: 52 094 963 238
AND CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2013

	Ordinary Share Capital	Accumulated Losses	Foreign Currency Translation Reserve	Total
	$	$	$	$
Consolidated Group				
Balance at 1 July 2011	31,220,811	(33,114,478)	427,688	(1,465,979)
Shares issued during the year	1,815,000	-	-	1,815,000
Loss attributable to members of parent entity	-	(1,599,560)	-	(1,599,560)
Other comprehensive income for the year	-	-	32,802	32,802
Balance at 30 June 2012	33,035,811	(34,714,038)	460,490	(1,217,737)
Balance at 1 July 2012	33,035,811	(34,714,038)	460,490	(1,217,737)
Shares issued during the year	1,863,837	-	-	1,863,837
Loss attributable to members of parent entity	-	(1,420,723)	-	(1,420,723)
Other comprehensive income for the year	-	-	(62,326)	(62,326)
Balance at 30 June 2013	34,899,648	(36,134,761)	398,164	(836,949)

The accompanying notes form part of these financial statements.

ENVIROMISSION LIMITED ABN: 52 094 963 238
AND CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2013

	Note	Consolidated Group 2013 $	2012 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received		985	285
Development fees received		383,179	-
Payments to suppliers and employees		(1,423,155)	(996,278)
Income tax paid		-	(13)
Net cash (used in) operating activities	22a	(1,038,991)	(996,006)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of investments		-	83,644
Payments for intangible assets		-	(108,375)
Net cash (used in) investing activities		-	(24,731)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		1,010,000	1,108,000
Proceeds from borrowings		18,047	249,819
Repayment of borrowings		(85,590)	-
Net cash provided by financing activities		942,457	1,357,819
Net (decrease)/ increase in cash held		(96,534)	337,082
Cash and cash equivalents at beginning of financial year	10	341,112	3,046
Effect of exchange rates on cash holdings in foreign currencies		(11,802)	984
Cash and cash equivalents at end of financial year	10	232,776	341,112

The accompanying notes form part of these financial statements.

These consolidated financial statements and notes represent those of EnviroMission Limited and it's Controlled Entities (the "consolidated group" or "group"). The separate financial statements of the parent entity, EnviroMission Limited, have not been presented within this financial report as permitted by the Corporations Act 2001.

The financial statements were authorised for issue on 30 September 2013 by the directors of the company.

Note 1 Summary of Significant Accounting Policies

Basis of Preparation

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

Australian Accounting Standards set out the accounting policies that the Australian Accounting Standards Board has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards as issued by the IASB. Material accounting policies adopted in the preparation of the financial statements are presented below and have been consistently applied unless stated otherwise.

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

(a) Principles of Consolidation

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by EnviroMission Limited at the end of the reporting period. A controlled entity is any entity over which EnviroMission Limited has the ability and right to govern the financial and operating policies so as to obtain benefits from the entity's activities.

Where controlled entities have entered or left the Group during the year, the financial performance of those entities is included only for the period of the year that they were controlled. A list of controlled entities is contained in Note 12 to the financial statements.

In preparing the consolidated financial statements, all intragroup balances and transactions between entities in the consolidated group have been eliminated in full on consolidation.

Non-controlling interests, being the equity in a subsidiary not attributable, directly or indirectly, to a parent, are reported separately within the equity section of the consolidated statement of financial position and statements showing profit or loss and other comprehensive income. The non-controlling interests in the net assets comprise their interests at the date of the original business combination and their share of changes in equity since that date.

(b) Income Tax

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

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

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

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

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

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

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

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

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

(c) Property, Plant and Equipment

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

Plant and equipment

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

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

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

Depreciation

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

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

Class of Fixed Asset	Depreciation Rate
Plant and equipment	25%

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

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

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

(d) Leases

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

Operating Leases

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

Finance Leases

Leases which effectively transfer substantially the entire risks and benefits incidental to ownership of the leased item to the Group are capitalised at the present value of the minimum lease payments and disclosed as property, plant and equipment under lease. A lease liability of equal value is also recognised. The consolidated entity has no finance leases as at 30 June 2013.

(e) Financial Instruments

Recognition and Initial Measurement

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

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

Classification and Subsequent Measurement

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

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

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

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

(i) Loans and receivables

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

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

(ii) Financial Liabilities

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

Impairment

At the end of each reporting period, the Group assesses whether there is objective evidence that a financial asset has been impaired. A financial asset (or a group of financial assets) is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a “loss event”) having occurred, which has an impact on the estimated future cash flows of the financial asset(s).

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

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

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

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

Derecognition

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

(f) Impairment of Assets

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

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

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

(g) Other Intangibles

Trademarks & Licences

Trademarks and licences are recognised at cost of acquisition. Trademarks and licences have a finite life and are carried at cost less any accumulated amortisation and any impairment losses. Trademarks and licences are amortised over their useful life ranging from 20 to 25 years.

Research and development

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

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

The value of the Intellectual Property and licences is dependent on the ability of the Company to generate income from the asset. No income has been earned from these assets to 30 June 2013 given that they are in the development stage.

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

(h) Foreign Currency Transactions and Balances

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

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

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

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

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

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

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

(i) Employee Benefits

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

Equity-settled compensation

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

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

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

(k) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities in the statement of financial position.

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

Development fee revenue is brought to account on receipt of each instalment. The total amount due and payable has been brought to account as a receivable and deferred income (Note 1(s)(i)), only amounts received are recognised as income in the Company's income statement.

Interest revenue is recognised using the effective interest method.

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

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

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

(n) Trade and Other Payables

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

(o) Borrowing Costs

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

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

(p) Goods and Services Tax (GST)

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

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

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

(q) Going Concern

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

(r) Comparative Figures

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

Where the Group has retrospectively applied an accounting policy, made a retrospective restatement of items in the financial statements or reclassified items in its financial statements, an additional statement of financial position as at the beginning of the earliest comparative period will be disclosed.

(s) Critical Accounting Estimates and Judgments

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

Key Estimates

(i) Impairment - General

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

Key Judgments

(i) Provision for Impairment of Receivables

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

(t) New Accounting Standards for Application in Future Periods

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the Group. The Group has decided not to early adopt any of the new and amended pronouncements. The Group's assessment of the new and amended pronouncements that are relevant to the Group but applicable in future reporting periods is set out below:

— AASB 9: *Financial Instruments (December 2010)* and AASB 2010–7: *Amendments to Australian Accounting Standards arising from AASB 9 (December 2010).*

These Standards are applicable retrospectively and include revised requirements for the classification and measurement of financial instruments, as well as recognition and derecognition requirements for financial instruments.

The key changes made to accounting requirements include:

- simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;
- simplifying the requirements for embedded derivatives;
- removing the tainting rules associated with held-to-maturity assets;
- removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;
- allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument;
- requiring financial assets to be reclassified where there is a change in an entity's business model as they are initially classified based on: (a) the objective of the entity's business model for managing the financial assets; and (b) the characteristics of the contractual cash flows; and
- requiring an entity that chooses to measure a financial liability at fair value to present the portion of the change in its fair value due to changes in the entity's own credit risk in other comprehensive income, except when that would create an accounting mismatch. If such a mismatch would be created or enlarged, the entity is required to present all changes in fair value (including the effects of changes in the credit risk of the liability) in profit or loss.

These Standards were mandatorily applicable for annual reporting periods commencing on or after 1 January 2013. However, AASB 2012–6: *Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures* (issued September 2012) defers the mandatory application date of AASB 9 from 1 January 2013 to 1 January 2015. In light of this change to the mandatory effective date, the Group is expected to adopt AASB 9 and AASB 2010–7 for the annual reporting period ending 31 December 2015. Although the directors anticipate that the adoption of AASB 9 and AASB 2010–7 may have a significant impact on the Group's financial instruments, it is impracticable at this stage to provide a reasonable estimate of such impact.

— AASB 10: *Consolidated Financial Statements,* AASB 11: *Joint Arrangements,* AASB 12: *Disclosure of Interests in Other Entities,* AASB 127: *Separate Financial Statements* (August 2011) and AASB 128: *Investments in Associates and Joint Ventures* (August 2011) (as amended by AASB 2012–10: *Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments*), and AASB 2011–7: *Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards* (applicable for annual reporting periods commencing on or after 1 January 2013).

AASB 10 replaces parts of AASB 127: *Consolidated and Separate Financial Statements* (March 2008, as amended) and Interpretation 112: *Consolidation – Special Purpose Entities*. AASB 10 provides a revised definition of "control" and additional application guidance so that a single control model will apply to all investees. This Standard is not expected to significantly impact the Group's financial statements.

AASB 12 contains the disclosure requirements applicable to entities that hold an interest in a subsidiary, joint venture, joint operation or associate. AASB 12 also introduces the concept of a "structured entity", replacing the "special purpose entity" concept currently used in Interpretation 112, and requires specific disclosures in respect of any investments in unconsolidated structured entities. This Standard will affect disclosures only and is not expected to significantly impact the Group's financial statements.

To facilitate the application of AASBs 10, 11 and 12, revised versions of AASB 127 and AASB 128 have also been issued.

The revisions made to AASB 127 and AASB 128 are not expected to significantly impact the Group's financial statements.

— AASB 13: *Fair Value Measurement* and AASB 2011–8: *Amendments to Australian Accounting Standards arising from AASB 13* (applicable for annual reporting periods commencing on or after 1 January 2013).

AASB 13 defines fair value, sets out in a single Standard a framework for measuring fair value, and requires disclosures about fair value measurement.

AASB 13 requires:

- inputs to all fair value measurements to be categorised in accordance with a fair value hierarchy; and
- enhanced disclosures regarding all assets and liabilities (including, but not limited to, financial assets and financial liabilities) to be measured at fair value.

These Standards are expected to result in more detailed fair value disclosures, but are not expected to significantly impact the amounts recognised in the Group's financial statements.

— AASB 2011–4: *Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements* (applicable for annual reporting periods beginning on or after 1 July 2013).

This Standard makes amendments to AASB 124: *Related Party Disclosures* to remove the individual key management personnel disclosure requirements (including paras Aus29.1 to Aus29.9.3). These amendments serve a number of purposes, including furthering trans-Tasman convergence, removing differences from IFRSs, and avoiding any potential confusion with the equivalent *Corporations Act 2001* disclosure requirements.

This Standard is not expected to significantly impact the Group's financial report as a whole because:

- some of the disclosures removed from AASB 124 will continue to be required under s 300A of the Corporations Act, which is applicable to the Group; and
- AASB 2011-4 does not affect the related party disclosure requirements in AASB 124 applicable to all reporting entities, and some of these requirements require similar disclosures to those removed by AASB 2011-4.

— AASB 2012–2: *Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities* (applicable for annual reporting periods commencing on or after 1 January 2013).

AASB 2012–2 principally amends AASB 7: *Financial Instruments: Disclosures* to require entities to include information that will enable users of their financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position.

This Standard is not expected to significantly impact the Group's financial statements.

— AASB 2012–3: *Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities* (applicable for annual reporting periods commencing on or after 1 January 2014).

This Standard adds application guidance to AASB 132: *Financial Instruments: Presentation* to address potential inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement.

This Standard is not expected to significantly impact the Group's financial statements.

— AASB 2012–5: *Amendments to Australian Accounting Standards arising from Annual Improvements 2009–2011 Cycle* (applicable for annual reporting periods commencing on or after 1 January 2013).

This Standard amends a number of Australian Accounting Standards as a consequence of the issuance of *Annual Improvements to IFRSs 2009–2011 Cycle* by the International Accounting Standards Board, including:

- AASB 1: First-time Adoption of Australian Accounting Standards to clarify the requirements in respect of the application of AASB 1 when an entity discontinues and then resumes applying Australian Accounting Standards;
- AASB 101: Presentation of Financial Statements;
- AASB 116: Property, Plant and Equipment to clarify the accounting treatment of spare parts, stand-by equipment and servicing equipment;
- AASB 132 and Interpretation 2: Members' Shares in Co-operative Entities and Similar Instruments to clarify the accounting treatment of any tax effect of a distribution to holders of equity instruments; and
- AASB 134 to facilitate consistency between the measures of total assets and liabilities an entity reports for its segments in its interim and annual financial statements.

This Standard is not expected to significantly impact the Group's financial statements.

Note 2 Parent Information

The following information has been extracted from the books and records of the parent and has been prepared in accordance with Australian Accounting Standards.

	2013 $	2012 $
STATEMENT OF FINANCIAL POSITION		
ASSETS		
Current Assets	2,050,676	108,839
Non-current Assets	934,635	934,903
TOTAL ASSETS	2,985,312	1,043,742
LIABILITIES		
Current Liabilities	2,573,183	1,185,041
Non-current Liabilities	735,321	642,900
TOTAL LIABILITIES	3,308,504	1,827,941
EQUITY		
Issued Capital	34,899,648	33,035,811
Accumulated losses	(35,222,840)	(33,820,010)
Parent interest	(323,192)	(784,199)
Non-controlling interest	-	-
TOTAL EQUITY	(323,192)	(784,199)
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME		
Total loss	(1,402,829)	(1,968,064)
Total comprehensive income	(1,402,829)	(1,968,064)

Guarantees

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

Contingent liabilities

There were no contingent liabilities as at 30 June 2013 (2012: nil) or to the date of this report.

Note 3 Revenue and Other Income

	Note	Consolidated Group 2013 $	2012 $
(a) Revenue from continuing operations			
Revenue			
Development right fees	(i)	383,179	-
		383,179	-
Other revenue			
Interest received		1,017	363
Unrealised foreign exchange gain		(7,576)	41,075
Realised foreign exchange (loss)/gain		(11)	1,441
		(6,570)	42,879
Total revenue		376,609	42,879
Other income		6,404	6,356
Total other income		6,404	6,356

(i) Development right fees

As announced on 22 May 2013, the Company entered into a Heads of Agreement with a Texas based power development company whereby EnviroMission will grant development rights for the US State of Texas once a $USD2,000,000 development fee has been received. At the date of this report $USD500,000 has been received. The Company has brought the outstanding development fee as at 30 June 2013 to account as a debtor however it will only recognise the revenue as and when the instalments are received. The agreed deadline for receipt of the full amount is 31 December 2013.

Note 4 Loss for the Year

	Note	Consolidated Group 2013 $	Consolidated Group 2012 $
Loss before income tax from continuing operations includes the following specific expenses:			
(a) Expenses			
Interest expense on financial liabilities not at fair value through profit or loss:			
— Related parties		-	19,174
— Other persons		3,240	37,683
Total finance cost		3,240	56,857
Foreign currency translation gain/(loss)		7,587	42,516
Depreciation on property, plant & equipment		300	1,720
Employee benefits expense		85,487	69,626
Rental expense on operating leases			
— minimum lease payments		74,507	88,035
Loss on disposal of shares		-	(36,912)
(b) Significant Revenue and Expenses			
The following significant revenue and expense items are relevant in explaining the financial performance:			
Development fees received	3 (i)	383,179	-

Note 5 Tax Expense

	Consolidated Group 2013 $	Consolidated Group 2012 $
(a) The prima facie income tax expense on pre tax accounting loss reconciles to the income tax expense in the financial statement as follows:		
Loss from continuing operations before income tax at 30% (2012: 30%):	(426,217)	(479,868)
Add:		
Tax effect of:		
— Non-deductible expenses	28,109	49,043
— Provision for doubtful debts	321,644	289,847
	(76,464)	(140,978)
Less:		
Tax effect of:		
— Non-assessable income	89,263	12,323
— Deductible black hole expenditure	14,232	88,852
— Other deductible expenses	50,055	16,793
— Income tax losses carried forward not taken up	(230,014)	(258,945)
Income tax expense	-	-
Future income tax benefits not brought to account as deferred tax assets	7,888,096	7,658,082

(b) Tax effects relating to each component of other comprehensive income:

Consolidated Group	Note	2013 Before-tax amount $	2013 Tax (expense) benefit $	2013 Net-of-tax amount $	2012 Before-tax amount $	2012 Tax (expense) benefit $	2012 Net-of-tax amount $
Exchange differences on translating foreign controlled entities		62,326	-	62,326	(32,802)	-	(32,802)
		62,326	-	62,326	(32,802)	-	(32,802)

Note 6 Key Management Personnel Compensation

Refer to the Remuneration Report contained in the Directors' Report for details of the remuneration paid or payable to each member of the Group's key management personnel (KMP) for the year ended 30 June 2013.

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

	2013	2012
	$	$
Short-term employee benefits	1,084,694	790,467
Equity-based payments	31,847	183,672
Total KMP compensation	1,116,541	974,139

KMP Options and Rights Holdings

7,047,946 options were issued to Key Management Personnel during the year in satisfaction of the Company's obligation to pay outstanding invoices for services provided. These options were approved for issue by shareholders of the Company at its last AGM. All options issued to Key Management Personnel as a result of debt conversions were issued in compliance with ASX Listing Rule 7.1 and will be ratified at the next AGM of the Company.

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

30 June 2013	Balance at beginning of year	Granted during the year	Exercised during the year	Lapsed during the year	Balance at end of year
Roger C Davey	29,500,000	-	-	-	29,500,000
David N Galbally QC	7,800,000	-	-	-	7,800,000
Andrew J Draffin	3,528,000	-	-	-	3,528,000
Christopher J Davey	21,500,000	3,500,000	-	-	25,000,000
Kim Forte	24,625,000	850,000	-	-	25,475,000
David Rodli	942,857	500,000	-	-	1,442,857
Doug Fant	4,750,000	719,893	-	-	5,469,893
George Horvath	-	739,027	-	-	739,027
Bill Willey	-	739,027	-	-	739,027
	92,645,857	7,047,947	-	-	99,693,804

30 June 2012	Balance at beginning of year	Granted during the year	Exercised during the year	Lapsed during the year	Balance at end of year
Roger C Davey	17,500,000	12,000,000	-	-	29,500,000
David N Galbally QC	4,000,000	3,800,000	-	-	7,800,000
Andrew J Draffin	1,228,000	2,300,000	-	-	3,528,000
Christopher J Davey	11,000,000	10,500,000	-	-	21,500,000
Kim Forte	12,000,000	12,625,000	-	-	24,625,000
David Rodli	-	942,857	-	-	942,857
Doug Fant	1,750,000	3,000,000	-	-	4,750,000
George Horvath	-	-	-	-	-
Bill Willey	-	-	-	-	-
	47,478,000	45,167,857	-	-	92,645,857

KMP Shareholdings

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

30 June 2013	Balance at beginning of year	Granted as remuneration during the year	Issued on exercise of options during the year	Other changes during the year	Balance at end of year
Roger C Davey	50,553,406	-	-	-	50,553,406
David N Galbally QC	2,250,000	-	-	-	2,250,000
Andrew J Draffin	6,287,428	-	-	-	6,287,428
Christopher J Davey	22,717,978	-	-	6,299,950	29,017,928
Kim Forte	18,118,486	1,061,563	-	638,437	19,818,486
David Rodli	9,153,280	-	-	(2,470,000)	6,683,280
Doug Fant	2,049,998	-	-	(610,213)	1,439,785
George Horvath	2,899,200	-	-	1,478,054	4,377,254
Bill Willey	2,599,200	-	-	(71,946)	2,527,254
	116,628,976	1,061,563	-	5,264,282	122,954,821

30 June 2012	Balance at beginning of year	Granted as remuneration during the year	Issued on exercise of options during the year	Other changes during the year	Balance at end of year
Roger C Davey	46,553,406	-	-	4,000,000	50,553,406
David N Galbally QC	650,000	-	-	1,600,000	2,250,000
Andrew J Draffin	5,687,428	-	-	600,000	6,287,428
Christopher J Davey	22,866,001	-	-	(148,023)	22,717,978
Kim Forte	10,304,200	-	-	7,814,286	18,118,486
David Rodli	11,688,000	-	-	(2,534,720)	9,153,280
Doug Fant	2,049,998	-	-	-	2,049,998
George Horvath	2,899,200	-	-	-	2,899,200
Bill Willey	2,899,200	-	-	(300,000)	2,599,200
	105,597,433	-	-	11,031,543	116,628,976

Other KMP Transactions

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

For details of other transactions with KMP, refer to Note 24: Related Party Transactions.

Note 7 Auditors' Remuneration

	Consolidated Group 2013 $	Consolidated Group 2012 $
Remuneration of the auditor for:		
— auditing or reviewing the financial report	33,100	29,800

Note 8 Dividends

No dividends were paid or declared during the financial year.

Note 9 Earnings per Share

		Consolidated Group 2013 $	Consolidated Group 2012 $
(a)	Reconciliation of earnings to profit or loss		
	Net loss for the year	(1,420,723)	(1,599,560)
	Losses used in the calculation of dilutive EPS	(1,420,723)	(1,599,560)
		No.	No.
(b)	Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	429,525,494	372,371,515
	Weighted average number of dilutive options outstanding	-	-
	Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS	429,525,494	372,371,515

Note 10 Cash and Cash Equivalents

	Note	Consolidated Group 2013 $	Consolidated Group 2012 $
Cash at bank and on hand		232,776	341,112
Short-term bank deposits		-	-
	25	232,776	341,112

Reconciliation of cash

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

	2013	2012
Cash and cash equivalents	232,776	341,112
Bank overdrafts	-	-
	232,776	341,112

Note 11 Trade and Other Receivables

	Consolidated Group 2013 $	Consolidated Group 2012 $
CURRENT		
Trade receivables		
— Development right fees	1,804,082	-
— GST receivables	22,674	17,524
— Other receivables	-	13
Total current trade and other receivables	1,826,756	17,537

(a) **Development right fees**

As announced on 22 May 2013, the Company entered into a Heads of Agreement with a Texas based power development company whereby EnviroMission will grant development rights for the US State of Texas once a $USD2,000,000 development fee has been received. At the date of this report $USD500,000 has been received. The Company has brought the oustanding development fee as at 30 June 2013 to account as a debtor however it will only recognise the revenue as and when the instalments are received. The revised deadline for receipt of the full amount is 31 December 2013.

(b) **Provision For Impairment of Receivables**

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

Credit risk

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

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

AUD	Consolidated Group 2013 $	Consolidated Group 2012 $
Australia	1,826,741	17,524
United States of America	15	13
	1,826,756	17,537

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

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

Consolidated Group	Gross Amount	Past due and impaired	Past due but not impaired (days overdue)				Within initial trade terms
			<30	31-60	61-90	>90	
2013	$	$	$	$	$	$	$
Trade and term receivables	1,804,082						1,804,082
Other receivables	22,674						22,674
Total	1,826,756	-	-	-	-	-	1,826,756

Consolidated Group	Gross Amount	Past due and impaired	Past due but not impaired (days overdue)				Within initial trade terms
			<30	31-60	61-90	>90	
2012	$	$	$	$	$	$	$
Trade and term receivables	17,524						17,524
Other receivables	13						13
Total	17,537	-	-	-	-	-	17,537

Neither the Group nor parent entity holds any financial assets with terms that have been renegotiated, but which would otherwise be past due or impaired.

		Consolidated Group	
		2013	**2012**
(c) **Financial Assets Classified as Loans and Receivables**	**Note**	**$**	**$**
Trade and other Receivables			
— Total current		1,826,756	17,537
— Total non-current		-	-
Financial assets	25	1,826,756	17,537

(d) **Collateral held as security**

No collateral was held as security at balance date or the date of this report.

Note 12 Controlled Entities

(a) **Controlled Entities Consolidated**

	Country of Incorporation	Percentage Owned (%)*	
		2013	2012
Subsidiaries of EnviroMission Limited:			
SolarMission Limited	Australia	100%	100%
Pure Solar Power (IP) Pty Ltd	Australia	100%	100%
SolarMission Technologies, Inc.	United States of America	100%	100%
EnvioMission, Inc.	United States of America	100%	100%
EnviroMission Capital, LLC.	United States of America	100%	100%
EnviroMission Management, LLC.	United States of America	100%	100%
La Paz Solar Tower, LLC.	United States of America	100%	100%

* Percentage of voting power is in proportion to ownership

Note 13 Property, Plant and Equipment

	Consolidated Group	
	2013	2012
	$	$
PLANT AND EQUIPMENT		
Plant and equipment:		
At cost	163,752	163,752
Accumulated depreciation	(163,275)	(162,975)
Accumulated impairment losses	-	-
Total property, plant and equipment	477	777

(a) **Movements in Carrying Amounts**

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

	Plant and Equipment	Total
	$	$
Consolidated Group:		
Balance at 1 July 2011	2,460	2,460
Additions	-	-
Disposals	-	-
Depreciation expense	(1,720)	(1,720)
Foreign exchange gain due to translation of fixed asset of foreign subsidiary	37	37
Balance at 30 June 2012	777	777
Balance at 1 July 2012	777	777
Additions	-	-
Disposals	-	-
Depreciation expense	(300)	(300)
Balance at 30 June 2013	477	477

Note 14 Intangible Assets

	Consolidated Group	
	2013	**2012**
	$	**$**
Goodwill		
Cost	5,919,752	5,919,752
Accumulated impaired losses	(5,919,752)	(5,919,752)
Net carrying amount	-	-
Trademarks and licences		
Cost	10,552,284	10,552,284
Accumulated amortisation and impairment losses	(10,152,284)	(10,152,284)
Net carrying amount	400,000	400,000
Development costs		
Cost	727,188	707,017
Accumulated amortisation and impairment losses	-	-
Net carrying amount	727,188	707,017
Total intangibles	1,127,188	1,107,017

Movements in Carrying Amounts

	Development Costs	Trademarks & Licences	Total
Consolidated Group:	$	$	$
Year ended 30 June 2012			
Balance at the beginning of year	595,622	400,000	995,622
Additions	108,375	-	108,375
Foreign exchange gain due to translation of intangibles held by foreign subsidiary	3,020	-	3,020
Disposals	-	-	-
Amortisation charge	-	-	-
Impairment losses	-	-	-
	707,017	400,000	1,107,017
Year ended 30 June 2013			
Balance at the beginning of year	707,017	400,000	1,107,017
Additions	20,171	-	20,171
Disposals	-	-	-
Amortisation charge	-	-	-
Impairment losses	-	-	-
Closing value at 30 June 2013	727,188	400,000	1,127,188

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

The value of the Intellectual Property and licences is dependent on the ability of the Company to generate income from the asset. Development fee income has been earned from these assets to 30 June 2013 however, it is the Directors view that the assets remain in development stage.

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

Note 15 Other Assets

	Consolidated Group	
	2013	2012
	$	$
CURRENT		
Prepayments	4,807	4,807
	4,807	4,807
NON-CURRENT		
Rental bond deposit	8,807	14,925
	8,807	14,925

Note 16 Trade and Other Payables

	Note	Consolidated Group 2013 $	Consolidated Group 2012 $
CURRENT			
Unsecured liabilities			
Trade payables		948,252	858,926
Sundry payables and accrued expenses		26,688	27,548
Amounts payable to related parties			
— other related parties		-	127,248
— key management personnel		-	44,099
— key management personnel related entities		84,842	19,000
		1,059,782	1,076,821
NON-CURRENT			
Unsecured liabilities			
Trade payables		-	-
Sundry payables and accrued expenses		1,508	1,347
Amounts payable to related parties			
— other related parties		-	-
— key management personnel		338,634	421,878
— key management personnel related entities		767,282	725,907
		1,107,424	1,149,132

	Consolidated Group 2013 $	**Consolidated Group 2012 $**
(a) Financial liabilities at amortised cost classified as trade and other payables		
Trade and other payables		
— Total current	1,059,782	1,076,821
— Total non-current	1,107,424	1,149,132
Financial liabilities as trade and other payables	2,167,206	2,225,953

Note 17 Deferred Income

The Australian dollar equivalent of the US $1,600,000 (AUD $1,804,067) development licence fee has been brought to account as deferred income less payments received to date. The balance will be recognised as income on receipt of each instalment. As discussed in the directors report, the Company entered into a Heads of Agreement which formalised the arrangement and set timelines for payment. The full amount is scheduled to be received by 31 December 2013, in regular instalments.

At the date of this report, US$500,000 of development licence fee has been received.

Note 18 Borrowings

	Consolidated Group 2013 $	**Consolidated Group 2012 $**
CURRENT		
Unsecured liabilities	66,487	477,959
	66,487	477,959

Unsecured loan from an unrelated third party incurring fixed interest of 10% per annum.

Note 19 Issued Capital

	Consolidated Group 2013 $	Consolidated Group 2012 $
466,360,840 (2012: 402,832,946) fully paid ordinary shares	34,899,648	33,035,811
	34,899,648	33,035,811

The company has authorised share capital amounting to 466,360,840 ordinary shares.

(a) **Ordinary Shares**

	Consolidated Group 2013 No.	Consolidated Group 2012 No.
At the beginning of the reporting period	402,832,946	348,444,792
Shares issued during the year	63,527,894	54,388,154
At the end of the reporting period	466,360,840	402,832,946

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

(b) **Options**
28,297,279 options were issued during the reporting period. Refer to the Directors Report for details on issue, price and expiry.

(c) **Capital Management**
Management control the capital of the group in order to maintain a good debt to equity ratio, provide the shareholders with adequate returns and ensure that the group can fund its operations and continue as a going concern. As noted in the Directors' report the Company is in negotiations with various entities to raise substantial capital for the Group. The successful completion of these future capital raisings will restore the net asset position of the Company.

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

There are no externally imposed capital requirements.

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

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

	Note	Consolidated Group 2013 $	Consolidated Group 2012 $
Total trade payables and borrowings	16, 18	2,233,693	2,703,912
Less cash and cash equivalents	10	(232,776)	(341,112)
Net debt		2,000,917	2,362,800
Total equity		836,949	1,217,737
Total capital		2,837,866	3,580,537
Gearing ratio		71%	66%

Note 20 Contingent Liabilities and Contingent Assets

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

Note 21 Operating Segments

General Information

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

Geographical Segments

	Segment Revenues from External Customers		Carrying Amount of Segment Assets		Carrying Amount of Segment Liabilities	
	2013 $	2012 $	2013 $	2012 $	2013 $	2012 $
Geographical location:						
Australia	375,830	42,879	2,784,041	1,043,641	(3,310,233)	(1,827,841)
United States of America	7,183	6,356	416,770	442,534	(727,529)	(876,071)
	383,013	49,235	3,200,811	1,486,175	(4,037,762)	(2,703,912)

Note 22 Cash Flow Information

	Consolidated Group 2013 $	2012 $
(a) Reconciliation of Cash Flow from Operations with Profit after Income Tax		
Loss from ordinary activities after income tax	(1,420,723)	(1,599,560)
Non-cash flows in operating result:		
Depreciation	300	1,720
Equity issues for services provided	853,837	707,000
Foreign exchange loss/(gain)	(3,152)	(54,883)
Changes in assets and liabilities:		
(Increase)/ Decrease in trade and other receivables	(1,803,101)	53,621
Decrease in prepayments	-	15,193
Increase in deferred income	1,804,067	-
(Decrease)/Increase in trade payables, accruals and borrowings	(470,219)	(119,097)
Cash flow from operations	(1,038,991)	(996,006)

Note 23 Events After the Reporting Period

The directors are not aware of any other significant events that have occured after balance date.

Note 24 Related Party Transactions

Related Parties

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

i. **Key Management Personnel:**

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

For details of disclosures relating to key management personnel, refer to Note 6: Interests of Key Management Personnel Compensation.

ii. **Other Related Parties**

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

(b) Transactions with related parties:

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

The following transactions occurred with related parties:

	Consolidated Group 2013 $	2012 $
(i) Director related Company		
Consultancy fees paid to Mr Roger Davey is paid to Canterbury Mint Pty Ltd, a Company of which Mr Davey is a director and shareholder.	339,603	325,000
Professional fees paid to Mr Andrew Draffin is paid to Draffin Walker & Co., a Company of which Mr Draffin is a director and shareholder.	61,175	60,350
Directors fees paid to Mr Andrew Draffin is paid to Draffin Walker & Co., a Company of which Mr Draffin is a director and shareholder.	60,000	60,000
(ii) Key Management Personnel		
Consultancy fees paid to Ms Kim Forte is paid to Kim Forte Consulting, a business of which Ms Forte is a director and shareholder.	224,603	210,000
Consultancy fees paid to Mr Douglas Fant is paid to Law Offices of Douglas V. Fant, a Company of which Mr Fant is a director and shareholder.	3,505	13,943
Legal fees paid to Mr David Rodli is paid to David Rodli Law Office, a Company of which Mr Rodli is a director and shareholder.	159,316	23,226

(c) Amount due to related parties as at 30 June 2013

Canterbury Mint Pty Ltd.	689,547	646,626
Draffin Walker & Co.	170,906	79,000
Kim Forte Consulting	10,909	19,153
Douglas V. Fant	3,936	44,099
David Rodli Law Office	130,783	56,723

Note 25 Financial Risk Management

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

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

		Consolidated Group	
		2013	2012
	Note	$	$
Financial Assets			
Cash and cash equivalents	10	232,776	341,112
Loans and receivables	11b	1,826,756	17,537
Total Financial Assets		2,059,532	358,649
Financial Liabilities			
Financial liabilities at amortised cost			
— Trade and other payables	16	2,167,206	2,225,953
— Borrowings	18	66,487	477,959
Total Financial Liabilities		2,233,693	2,703,912

Financial Risk Management Policies

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

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

a. Credit risk

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

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

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

Credit Risk Exposures

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

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

Trade and other receivables that are neither past due or impaired are considered to be of high credit quality. Aggregates of such amounts are as detailed at Note 11.

b. Liquidity risk

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

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

The tables below reflect an undiscounted contractual maturity analysis for financial liabilities.

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

Financial liability and financial asset maturity analysis

	Within 1 Year		1 to 5 years		Over 5 years		Total	
	2013	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
Consolidated Group	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Financial liabilities due for payment								
Borrowings	66,487	477,959	-	-	-	-	66,487	477,959
Trade and other payables	974,940	886,474	1,508	1,347	-	-	976,448	887,821
Amounts payable to related parties	84,842	190,347	1,105,916	1,147,785	-	-	1,190,758	1,338,132
Total contractual outflows	1,126,269	1,554,780	1,107,424	1,149,132	-	-	2,233,693	2,703,912

	Within 1 Year		1 to 5 years		Over 5 years		Total	
	2013	2012	2013	2012	2013	2012	2013	2012
Consolidated Group	$	$	$	$	$	$	$	$
Financial Assets - cash flows realisable								
Cash and cash equivalents	232,776	341,112	-	-	-	-	232,776	341,112
Trade, term and loans receivables	1,826,756	17,537	-	-	-	-	1,826,756	17,537
Total anticipated inflows	2,059,532	358,649	-	-	-	-	2,059,532	358,649
on financial instruments	933,263	(1,196,131)	(1,107,424)	(1,149,132)	-	-	(174,161)	(2,345,263)

c. Market Risk

i. *Interest rate risk*

Interest rate risk is managed using fixed rate debt where practical. At 30 June 2013, amounts classified as borrowings, was the only debt that attracted interest. This debt is fixed at 10% per annum. The remaining debt is interest free.

ii. *Foreign exchange risk*

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

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

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

	Consolidated Group	
	2013	**2012**
	$	**$**
United States Dollars		
Cash and cash equivalents	13,648	254,604
Current trade & other receivables	15	6,164
Non-current other financial assets	-	-
Current trade & other payables	(357,153)	(369,543)
Non-current trade & other payables	(372,202)	(506,332)
	(715,692)	(615,107)

The following significant exchange rates were applied during the year:	**Average rate**		**Spot rate**	
	2013	**2012**	**2013**	**2012**
$1AUD				
United States	1.027	1.033	0.915	1.016

iii. *Price risk*

Price risk relates to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices largely due to demand and supply factors for commodities.

Sensitivity Analysis

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

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

	Consolidated Group	
	Profit	**Equity**
Year ended 30 June 2013	**$**	**$**
+/- 100 basis points in interest rates	(22)	-
+/- 10% in $A/$US	(759)	39,816

	Consolidated Group	
	Profit	**Equity**
Year ended 30 June 2012	**$**	**$**
+/- 100 basis points in interest rates	(565)	-
+/- 10% in $A/$US	4,252	46,049

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

Fair Values

Fair value estimation

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

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

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

	Note	**2013**		**2012**	
		Carrying Amount	Fair Value	Carrying Amount	Fair Value
Consolidated Group		$	$	$	$
Financial assets					
Cash and cash equivalents	(i)	232,776	232,776	341,112	341,112
Trade and other receivables	(i)	1,826,756	1,826,756	17,537	17,537
Total financial assets		2,059,532	2,059,532	358,649	358,649
Financial liabilities					
Trade and other payables	(i)	2,167,206	2,167,206	2,225,953	2,225,953
Deferred Income	(i)	-	-	-	-
Borrowings	(i)	66,487	66,487	477,959	477,959
Total financial liabilities		2,233,693	2,233,693	2,703,912	2,703,912

The fair values disclosed in the above table have been determined based on the following methodologies:

(i) Cash and cash equivalents, trade and other receivables and trade and other payables are short-term instruments in nature whose carrying amount is equivalent to fair value. Trade and other payables excludes amounts provided for annual leave, which is outside the scope of AASB 139.

Note 26 Reserves

Foreign Currency Translation Reserve

The foreign currency translation reserve records exchange differences arising on translation of a foreign controlled subsidiary. Refer to the Changes in Equity section on page 19 for further details of movement for the reporting period.

Note 27 Economic Dependency

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

Note 28 Company Details

The registered office of the company is:
EnviroMission Limited
Ground Floor
3 Raglan Street
South Melbourne VIC 3205

The principal places of business are:
EnviroMission Limited
Ground Floor
3 Raglan Street
South Melbourne VIC 3205

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

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

1. the financial statements and notes, as set out on pages 17 to 41, are in accordance with the Corporations Act 2001 and:
   (a) comply with Accounting Standards, which, as stated in accounting policy note 1 to the financial statements, constitutes compliance with International Financial Reporting Standards (IFRS); and

   (b) give a true and fair view of the financial position as at 30 June 2013 and of the performance for the year ended on that date of the consolidated group;
2. in the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable;
3. the directors have been given the declarations required by section 295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer.

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

Roger C Davey

Director

Melbourne, 30th September 2013

msi RAGG WEIR
Chartered Accountants

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INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF ENVIROMISSION LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Enviromission Limited and controlled entities , which comprises the consolidated statement of financial position as at 30 June 2013, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

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

Independence

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

msi RAGG WEIR
Chartered Accountants

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

Auditor's Opinion

In our opinion:

a. the financial report of Enviromission Limited and controlled entities is in accordance with the Corporations Act 2001, including:

   (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its performance for the year ended on that date; and

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

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

Emphasis of matter

Without qualifying our opinion expressed above, we draw attention to Note 1(q) of the financial report regarding the ability of the company to continue as a going concern. The financial report indicates that the consolidated entity's total current liabilities exceeded its total current assets by $865,997. This condition indicate the existence of a material uncertainty which may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the financial report.

Report on the Remuneration Report

We have audited the remuneration report included in pages 5 to 8 of the directors' report for the year ended 30 June 2013. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with s 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion the remuneration report of Enviromission Limited and controlled entities for the year ended 30 June 2013 complies with s 300A of the Corporations Act 2001.

MSI Ragg Weir

MSI RAGG WEIR
Chartered Accountants

L.S. WONG
Partner

Melbourne: 30 September 2013

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

The following information is current as at 23 September 2013:

1. **Shareholding**

a. **Distribution of Shareholders**

Category (size of holding)	No. of holders	No. of ordinary shares
1 – 1,000	30	11,099
1,001 – 5,000	339	1,155,185
5,001 – 10,000	290	2,515,540
10,001 – 100,000	674	25,000,085
100,001 – and over	293	437,678,931
	1,626	466,360,840

b. The minimum marketable parcel size is 20,834 (2012: 17,242) shares and the number of shareholdings held ir than marketable parcel is 716 (2012: 834)

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

Shareholder	Number of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital
National Nominees Limited	44,621,262	9.57%
Mr Charles Wells	43,386,186	9.30%
Canterbury Mint Pty Ltd	28,000,000	6.00%

d. **Voting Rights**
All shares carry one vote per share without restriction.

e. **20 Largest Shareholders — Ordinary Shares**

Name	Number of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital
1. National Nominees Limited	44,621,262	9.57%
2. Mr Charles Wells	43,386,186	9.30%
3. Canterbury Mint Pty Ltd	28,000,000	6.00%
4. ORCA Strategies Pty Ltd	16,975,071	3.64%
5. Ms Kim Elizabeth Forte	16,818,486	3.61%
6. Canterbury Mint Pty Ltd <Canterbury Mint S/Fund A/C>	15,273,406	3.28%
7. Mr Christopher James Davey	12,042,857	2.58%
8. Andelou Pty Ltd	12,000,001	2.57%
9. Rustic Court Pty Ltd <Fletcher Family S/F A/C>	10,716,668	2.30%
10. Sunshine Energy (AUST) Pty Ltd	10,714,286	2.30%
11. R M Fletcher Investments Pty Ltd <R M Fletcher S/F A/C>	8,869,445	1.90%
12. Merrill Lynch (Australia) Nominees Pty Ltd	7,737,610	1.66%
13. Mr Roger Davey	7,280,000	1.56%
14. Carmes Holding Pty Ltd <The Ayerbe Super Fund A/C>	5,306,425	1.14%
15. Draffin Walker Pty Ltd	5,287,428	1.13%
16. Ian K Nixon Pty Ltd <Ian K Nixon Super Fund A/C>	5,050,000	1.08%
17. Renewable Age Pty Ltd	5,000,000	1.07%
18. Mr William Carlin	4,811,797	1.03%
19. Mr George Horvath	4,377,254	0.94%
20. Mr Peter Schoner & Mrs Karen Schoner <P&K Schoner S/Fund A/C>	4,300,000	0.92%
	268,568,182	57.59%

2. **Registers of securitires are held at the following address**

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

3 **Stock Exchange Listing**

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

4. **Options over Unissued Shares**

   A total of 149,926,003 options are on issue at the date of this report. The options are not listed for quotation.