VERDANT
EARTH TECHNOLOGIES

ANNUAL REPORT
30 June 2021

Verdant Earth Technologies Limited

Business Objective

Founded in 2018, Verdant Earth Technologies is leveraging its unique 146 MW baseload power generation facility to develop integrated green hydrogen and renewable energy assets.

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Verdant Earth Technologies Limited
Corporate Directory

Directors
James Myatt
Warren Kember
Richard Poole

Secretary
Warren Kember

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Auditor
Grant Thornton Audit Pty Limited
Level 17, 383 Kent Street
Sydney, NSW 2000

Verdant Earth Technologies Limited
Directors' Report

The directors present their report together with the consolidated financial report of Verdant Earth Technologies Limited (Company) and its controlled entities (Group) for the year ended 30 June 2021.

At a general meeting of shareholders held on 27 August 2020 it was approved to transform the Company from a proprietary company limited by shares to a public company limited by shares. As a result its name changed from Hunter Energy Pty Limited to Hunter Energy Limited. At a general meeting of shareholders held on 1 June 2021 it was approved to the Company's name from Hunter Energy Limited to Verdant Earth Technologies Limited.

DIRECTORS

The names of directors of the Company at any time during or since the end of the financial year to the date of this report are set out below.

Mr James Myatt	Non-Executive Director	Appointed	19 June 2018
Mr Richard Poole	Director and Chief Executive Officer	Appointed	1 July 2019
Mr Warren Kember	Director and Chief Financial Officer	Appointed	6 March 2018

PRINCIPAL ACTIVITIES

The Group's objective is to operate and grow a sustainable energy business for the benefit of shareholders, customers, community and staff. The Company acquired the 146 MW Redbank Power Station as an initial investment and plans to recommission the plant to generate electricity and produce hydrogen.

OPERATING RESULTS

During the reporting period the Group incurred costs in relation to the recommissioning of the Redbank Power Station and incurred an operating loss of $14,597,176 (2020:$2,525,431).

MEETINGS OF DIRECTORS

No meetings of directors were held during the financial period, all matters were dealt with by written resolutions. The Directors considered resolutions on 23 (2020: 3) occasions during the year.

DIVIDENDS

No dividends have been paid or declared since the end of the previous financial year, nor do the directors recommend the declaration of a dividend.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

During the reporting period the Company issued the following securities:

a) raised $3,145,921 by the issue of 15,729,605 shares at 20 cents each on 31 July 2020 (pre share split);
b) increased the number of shares on issue by a share split on the basis of 2 shares for each 1 share held, resulting in the issue of an additional 110,951,829 shares;
c) issued 15,000,000 ordinary shares at 10 cents each in consideration for settlement of a contingent liability of $4,500,000
d) issued 30,000,000 performance shares to acquire all the issued share capital of Australian Green Hydrogen Pty Limited. 20,000,000 performance shares were vested on 30 June 2021;
e) raised $6,351,400 by the issue of 39,696,250 shares at 16 cents each on 15 March 2021 together with 3,326,750 options with an exercise price of $0.30 per option, with an expiry date of 31 July 2024 and 11,531,250 options with an exercise price of $0.20 with an expiry date of 31 March 2025;
f) raised $2,681,000 by the issue of 16,756,250 shares at 16 cents each on 14 April 2021 together with 6,250,000 options with an exercise price of $0.20 per option and an expiry date of 31 March 2025 and 1,476,250 options with an exercise price of $0.30 and an expiry date of 31 July 2024;
g) issued 7,000,000 ordinary shares to a broker as part payment of fees for the raising of capital;
h) issued 10,900,000 options to consultants and employees as part of their compensation arrangements with exercise prices between $0.075 and $0.20 and expiry date of 1 December 2025;
i) issued 11,589,187 options to consultants upon renegotiation of a supply agreement with exercise price between $0.20 and $0.30 and expiry dates of 31 July 2024 and 31 March 2025.

The Company has entered into a new secured loan agreement (Redbank Finance Facility) in place of existing secured and unsecured arrangements, which has amended the terms and amounts payable. The amendments included:

a) the secured loan and the deferred amount payable for acquisition of plant have been merged by a deed of assignment;
b) the total amount is now owed entirely to one party under a secured loan;
c) the total secured loan balance owing as of the date of signing the amended agreement was increased to $5,223,107;
d) the amount is repayable in instalments with a final repayment date of 31 July 2022; and
e) a contingent liability of $5,000,000 is no longer payable.

LIKELY DEVELOPMENT AND EXPECTED RESULTS

Apart from the matters referred to above in the Operating Results for the year, other likely developments in the operations of the Group and the expected results of those operations in subsequent financials years have not been included in this report because the directors believe this could result in unreasonable prejudice to the Group.

ENVIRONMENTAL REGULATION AND PERFORMANCE

Energy generation activities are subject to State and Federal laws and regulations. The Group has a policy of complying with its environmental performance obligations, and during the reporting period there has been no known breach of the environmental regulations. The Group is committed to ensuring the activities of its business are conducted in a way so as to minimise adverse impacts on the environment and local communities.

SIGNIFICANT EVENTS POST BALANCE DATE

There have been no significant events occurring after the balance date which may affect the Company's operations, results of those operations or the Company's state of affairs.

INDEMNIFICATION AND INSURANCE OF OFFICERS AND AUDITORS

The Company has not during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate against a liability incurred as such an officer or auditor.

PROCEEDINGS ON BEHALF OF COMPANY

No person has applied for leave of court under Section 237 of the Corporations Act 2001 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.

AUDIT AND NON-AUDIT SERVICES

The auditor of the Group at 30 June 2021 was Grant Thornton Audit Pty Ltd ('Grant Thornton'), who continues in office in accordance with section 327 of the Corporations Act 2001. The Group may decide to employ the auditor on assignments in addition to their statutory duties where the auditor's expertise and experience with the Group are considered important. Grant Thornton provided other services in respect of a private registration statement filed with the Securities and Exchange Commission in connection with a proposed offering of securities.

AUDITOR'S INDEPENDANCE DECLARATION

A copy of the auditor's independence declaration under Section 307C of the Corporations Act 2001 in relation to the audit for the financial year is attached to the financial report.

ROUDING OF AMOUNTS

The Group is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-of'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest dollar.

Signed in accordance with a resolution of the directors.

James Myatt, Director
Sydney, 23 September, 2021

Verdant Earth Technologies Limited
Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended 30 June 2021

	Notes	2021 $	2020 $
Revenue		**-**	-
Other income - government grant		**100,000**	-
Employee benefits expense	**7(a)**	**(1,965,205)**	(891,689)
Directors' fees		**(60,000)**	(90,000)
Management fees	**19(b)**	**(274,000)**	(277,500)
Legal, professional and consulting fees		**(4,781,568)**	(465,030)
Rental expenses	**19(b)**	**(120,000)**	(123,555)
Site service and maintenance costs		**(369,327)**	(281,079)
Insurance		**(32,825)**	(28,880)
Other expenses		**(38,910)**	(36,818)
Finance costs	**7(b)**	**(531,199)**	(330,880)
Loss on refinancing secured loan	**13**	**(3,322,520)**	-
Consulting fees settled via an issue of shares	**7(c)**	**(3,200,000)**	-
Depreciation		**(1,622)**	-
Loss from operations for the year before income tax		**(14,597,176)**	(2,525,431)
Income tax benefit	**8(a)**	**-**	-
Loss after tax from operations		**(14,597,176)**	(2,525,431)
Other comprehensive income (net of tax)		**-**	-
Total comprehensive loss for the year		**(14,597,176)**	(2,525,431)
Loss per common share, basic and diluted (cents)	**21**	**(6.77)**	(1.34)

This statement of profit or loss and other comprehensive income should be read in conjunction with the notes to the financial statements.

Verdant Earth Technologies Limited
Consolidated Statement of Financial Position
As at 30 June 2021

	Notes	2021 $	2020 $
Assets			
Current assets			
Cash and short term deposits	9	4,272,984	285,037
Other assets	10	50,000	-
Total current assets		4,322,984	285,037
Non-current assets			
Plant and equipment	11	7,415,391	6,761,086
Total non- current assets		7,415,391	6,761,086
Total assets		11,738,375	7,046,123
Liabilities			
Current liabilities			
Trade and other payables	12	2,926,859	590,568
Provisions		155,377	58,586
Financial liabilities	13	2,903,198	4,102,194
Total current liabilities		5,985,434	4,751,348
Non-current liabilities			
Financial liabilities	13	2,588,810	1,427,950
Total non-current liabilities		2,588,810	1,427,950
Total liabilities		8,574,244	6,179,298
Equity			
Issued capital	14(a)	20,140,054	5,020,000
Other contributed equity		-	265,000
Reserves	15	2,548,629	509,201
Accumulated losses		(19,524,552)	(4,927,376)
Total equity		3,164,131	866,825
Total liabilities and equity		11,738,375	7,046,123

This statement of financial position should be read in conjunction with the notes to the financial statements.

Verdant Earth Technologies Limited
Consolidated Statement of Changes in Equity
For the year ended 30 June 2021

	Issued capital $	Other contributed equity $	Reserves $	Accumulated losses $	Total $
Balance at 1 July 2019	**4,372,000**	**-**	**89,166**	**(2,401,945)**	**2,059,221**
Total comprehensive loss for the period	-	-	-	(2,525,431)	(2,525,431)
Transactions with owners in their capacity as owners:					
Issue of ordinary shares	660,000	-	-	-	660,000
Contributed equity - shares not yet issued	-	265,000	-	-	265,000
Costs of raising equity	(12,000)	-	-	-	(12,000)
Share-based payments expense	-	-	154,142	-	154,142
Convertible note transaction costs	-	-	(81,937)	-	(81,937)
Recognition of equity component on issue of convertible notes	-	-	347,830	-	347,830
Balance at 30 June 2020	**5,020,000**	**265,000**	**509,201**	**(4,927,376)**	**866,825**
Balance at 1 July 2020	**5,020,000**	**265,000**	**509,201**	**(4,927,376)**	**866,825**
Total comprehensive loss for the year	-	-	-	(14,597,176)	(14,597,176)
Transactions with owners in their capacity as owners:					
Issue of ordinary shares	17,998,321	(265,000)	-	-	17,733,321
Costs of raising equity	(2,878,267)	-	-	-	(2,878,267)
Share-based payments expense	-	-	2,039,428	-	2,039,428
Balance at 30 June 2021	**20,140,054**	**-**	**2,548,629**	**(19,524,552)**	**3,164,131**

This statement of changes in equity should be read in conjunction with the notes to the financial statements.

Verdant Earth Technologies Limited
Consolidated Statement of Cash Flows
For the year ended 30 June 2021

	Notes	2021 $	2020 $
Cash flows from operating activities			
Other income - government grant		**100,000**	-
Payments to suppliers and employees		**(4,290,150)**	(1,828,624)
Interest paid		**(158,024)**	(16,914)
Net cash flows used in operating activities	**9(b)**	**(4,348,173)**	(1,845,538)
Cash flows from investing activities			
Payments for property, plant and equipment		**(248,558)**	(28,238)
Net cash flows used in investing activities		**(248,558)**	(28,238)
Cash flows from financing activities			
Repayment of borrowings		**(1,656,200)**	(475,000)
Proceeds from borrowings		**-**	1,940,000
Borrowing raising costs		**-**	(97,000)
Repayment of other liabilities		**(775,000)**	-
Proceeds from issue of ordinary shares		**11,845,401**	565,000
Transaction costs of issue of shares		**(829,523)**	(12,000)
Net cash flows provided by financing activities		**8,584,678**	1,921,000
Net increase/(decrease) in cash and cash equivalents		**3,987,947**	47,224
Cash and cash equivalents at beginning of period		**285,037**	237,813
Cash and cash equivalents at end of period	**9(a)**	**4,272,984**	285,037

This statement of cash flow should be read in conjunction with the notes to the financial statements.

1 Corporate information

The significant accounting policies adopted in preparing the consolidated financial statements of Verdant Earth Technologies Limited ("Verdant" or the "Company") and its subsidiaries (the "Consolidated Entities" or "Group") for the year ended 30 June 2021, are stated to assist in a general understanding of the consolidated financial statements.

Verdant is a company limited by shares, incorporated and domiciled in Australia and has its registered office at Level 33, 52 Martin Place Sydney, New South Wales.

The Group's principal activities are the development of renewable energy projects and the planned production of hydrogen. The Group is currently raising capital, seeking changes to existing government approvals and arranging sources of fuel and other agreements to enable the restarting of its existing power station. The power station requires capital to enable refurbishment and reconnection to the electricity network in order that it can recommence electricity generation.

At a general meeting of shareholders held on 1 June 2021 it was approved to change the Company's name from Hunter Energy Limited to Verdant Earth Technologies Limited.

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 23 September, 2021.

2 Summary of significant accounting policies

a Basis of preparation

The Group has elected to adopt the Australian Accounting Standards – Reduced Disclosure Requirements (established by AASB 1053 Application of Tiers of Australian Accounting Standards and AASB 2010-2 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements). These financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards – Reduced Disclosure Requirements and the Corporations Act 2001.

The financial statements comprise the consolidated financial statements of the Group. For the purposes of preparing the consolidated financial statements, the Group is a for-profit entity.

The consolidated financial statements have been prepared on an accrual basis, and under the historical cost convention, unless otherwise stated.

All amounts are presented in Australian dollars which is the Group's functional and presentational currency. The amounts contained in this financial report have been rounded to the nearest $1 (where rounding is applicable).

b Going concern

The directors have prepared financial statements on a going concern basis which contemplates the continuity of normal business activity and the realisation of assets and settlement of liabilities in the normal course of business.

For the financial year ended 30 June 2021 the Group reported a loss after taxation of $14,597,176 (2020: $2,525,431), net cash used by operating activities was $4,348,173 (2020: $1,845,538) and the Group is in a net current liability position of $1,662,450 (2020: net current liability of $4,466,311) .

During its current phase of development, the Group is reliant on the raising of capital or access to other sources of finance to continue its business plan. There is a material uncertainty of the Group's ability to raise further capital. This may cast significant doubt as to whether the Group will continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

The directors believe that there are reasonable grounds to believe that the Group will be able to continue as a going concern, after consideration of the following sources of funding:

(i) the Group had a cash balance of $4,272,984 at balance date;

(ii) continuing financial support from existing shareholders, directors or related parties;

(iii) the availability of equity and financing facilities to fund working capital requirements from new investors;

(iv) realising value from its assets through joint ventures or outright sale; and

(v) the ability for the directors to scale back activities in order to preserve cash when required.

The directors are of the opinion that the use of the going concern basis of accounting is appropriate as they are satisfied regarding the Group's ability to maintain the continued financial support of its directors, current financiers, creditors and shareholders.

The financial statements do not include adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the Group not continue as a going concern.

c Basis of consolidation

The Group’s financial statements consolidate those of the parent entity and all of its subsidiaries. All subsidiaries have a reporting date of 30 June.

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

d Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

(i) expected to be realised or intended to be sold or consumed in the normal operating cycle;
(ii) held primarily for the purpose of trading;
(iii) expected to be realised within twelve months after the reporting period; or
(iv) cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:
(i) it is expected to be settled in the normal operating cycle
(ii) it is held primarily for the purpose of trading
(iii) it is due to be settled within twelve months after the reporting period; or
(iv) there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The terms of the liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification. The Group classifies all other liabilities as non-current.

e Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
Level 3: unobservable inputs for the asset or liability.

f Financial instruments

Recognition and de-recognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and initial measurement of financial assets

All financial assets are initially measured at fair value adjusted for transaction costs. Financial assets, are classified as financial assets at amortised cost.

The classification is determined by both:

i) the Group’s business model for managing the financial asset; and
ii) the contractual cash flow characteristics of the financial asset.

Subsequent measurement of financial assets

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

i) they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and
ii) the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Group’s cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

Impairment of financial assets
IFRS 9's impairment requirements use forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'. The Group considers a broad range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

i) financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1'); and

ii) financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date. '12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category. Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Cash and cash equivalents
Cash and cash equivalents in the statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

Classification and measurement of financial liabilities
The Group's financial liabilities at balance sheet date include trade and other payables, convertible notes and a secured loan.

Financial liabilities are initially measured at fair value and are adjusted for transaction costs. Subsequently, financial liabilities are measured at amortised cost using the effective interest method.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

g Property, plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. As at reporting date, the Group only held office equipment available for use. Office equipment is depreciated over three years.

h Leases

Identification of a lease

For any new contracts, the Group considers whether a contract is or contains a lease. A lease is defined as 'a contract or part of a contract, conveying the right to use an identified asset for a period time in exchange for consideration'. To apply this definition, the Group assesses whether the contract meets the three key evaluations;

i) The contract contains an identified asset which is either explicitly or implicitly identified as made available to the Group:

ii) the Group has the right to obtain substantially all economic benefits from the use of the identified assets throughout the period of use; and

iii) the Group has the right to direct the use of the identified asset throughout the period of use.

Short-term leases and leases of low-value assets

The Group assesses if any identified lease meets the short-term lease or the low-value asset exemptions. If either of these exemptions are met, the Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

i Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is necessary to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed in the period in which they are incurred and reported in finance costs.

j Impairment of non-financial assets

At the end of each reporting period, the consolidated entity reviews the carrying amounts of its tangible assets and assets not yet available for use, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

k Employee benefits

Short-term employee benefits
Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits
The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Defined contribution superannuation expense
Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

l Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax. Incremental costs directly attributable to the issue of new shares for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

Incremental costs incurred in the process of an initial public offering of the Company's securities that are related to both the issuance of securities and fees for listing on a securities exchange are apportioned between a deduction in equity, net of tax, and the Statement of Profit and Loss based on the amount of new capital to be raised.

No gain or loss is recognised in the statement of comprehensive income on the purchase, sale, issue or cancellation of the shares.

m Other contributed capital

Other contributed equity represents capital received from investors for which the Group has not yet issued shares at June 30. Upon the receipt of funds, the Group assesses if the instrument holds no contractual obligations for the Group to deliver or exchange cash or another financial asset or liability to the third party and subsequently, if the Group intends to settle the instrument in its own equity instruments. If both of these conditions are met, the Group classifies the funds received as other contributed equity.

Upon issuance of the shares, the other contributed equity is transferred to share capital.

n Share-based payments

The Group provides compensation to employees, key management personnel, directors and external parties in the form of an option plan. Share-based payments to employees are measured at the fair value of the instruments issued and amortised over their vesting period. 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. All share-based payments are recorded at the date, or over the period, the goods or services are received. The corresponding amount is recorded to the share based payment reserve. The fair value of options is determined using either a Binomial model or a Black Scholes model as appropriate. The number of 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.

o Government grants

Government grants are recognised at fair value where there is reasonable certainty the grant will be received upon meeting all grant terms and conditions.

Government grants are recognised in the profit or loss on a systematic basis over the periods in which the Group recognises the related costs for which the grants are intended to compensate. Government grants are recognised as "Other income" or as offsets against the expense for which they compensate.

The Cash Flow Boost program was established by the Australian Federal Government to support to businesses negatively impacted by the COVID-19 pandemic. Grants relating to the Cash Flow Boost program have been recognised as other income.

The JobKeeper program was established by the Australian Federal Government. The program provided wage support to businesses on a per-employee basis to assist businesses negatively impacted by the COVID-19 pandemic. Grants relating to government JobKeeper program have been recognised as an offset against employee expenses.

p Income tax

Tax expense recognised in profit or loss comprises the sum of deferred tax and current tax not recognised in other comprehensive income or directly in equity.

Current income tax assets and / or liabilities comprise those obligations to, or claims from, the Australian Taxation Office (ATO) and other fiscal authorities relating to the current or prior reporting periods that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with investments in subsidiaries and joint ventures is not provided if reversal of these temporary differences can be controlled by the Group and it is probable that reversal will not occur in the foreseeable future.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognised to the extent that it is probable that they will be able to be utilised against future taxable income, based on the Group's forecast of future operating results which is adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. Deferred tax liabilities are always provided for in full.

Deferred tax assets and liabilities are offset only when the Group has a right and intention to set off current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognised as a component of tax income or expense in profit or loss, except where they relate to items that are recognised in other comprehensive income (such as the revaluation of land) or directly in equity, in which case the related deferred tax is also recognised in other comprehensive income or equity, respectively.

The Group has not formed a tax consolidated group. As a consequence each member of the Group is responsible for and entitled to its own tax liabilities and benefits with no right of offset within the Group.

q Comparative figures

Certain comparative figures in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of financial position have been reclassified, where necessary, to be consistent with current year presentation. The reclassifications have had no impact on consolidated results.

3 Significant accounting judgements, estimates and assumptions

Assessment of market interest rates (refer Note 13)

Management uses valuation techniques to determine the fair value of financial instruments (where active market quotes are not available) and non-financial assets. This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management bases its assumptions on observable data as far as possible but this is not always available. In that case management uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

Capitalisation of costs (refer Note 11)

Subsequent to the purchase of the Redbank Power Station, management evaluate costs incurred and determine if they are directly attributable to bringing the asset to the necessary condition for it begin operation. These costs are capitalised to the asset.

Impairment of assets

The Group makes significant judgements when assessing if assets are impaired. The Group reviews internal and external data to identify indicators of impairment and to support the values of assets held.

No indications of impairment were identified as being present at 30 June 2021.

Share based payments (refer Note 16)

Share options were valued using either a binomial option or black scholes pricing model. The Group has estimated price volatility using the historic volatility of a basket of comparable companies. The Group has estimated there will be no employee attrition over the vesting period. The Group has used historic trading of the Company's shares to estimate an underlying share price when valuing share based payments.

IPO capital raising costs (refer Note 14)

Incremental costs determined to be attributable to both the costs of listing the Company's securities on a securities exchange and the issuance of securities are aggregated and then apportioned between a deduction to equity, net of tax, and the Statement of Profit and Loss based on the amount of new capital to be raised.

Uncertain tax positions (refer Note 8)

In determining its tax position, the Group is required to assess the application of relevant taxation laws and interpretations and determine whether it is probable a tax authority will accept an uncertain tax position ('UTP') used, or proposed to be used, by the Group. When there is an UTP, IFRIC 23 requires the Group to assess the UTP using either a:

(i) 'most likely amount' methodology – when the outcome is binary or concentrated to a specific matter; or

(ii) 'expected value' or probability-weighted methodology – when there is a range of possible outcomes.

This assessment relies on significant management judgement and may involve future events. New information may become available that causes the Group to change its judgement regarding the appropriateness of its tax position.

The Group has elected not to recognise tax losses at balance sheet date due to the uncertainty in relation to the availability of those losses and the uncertainty in relation to the timing of utilising those losses in the future.

Embedded derviatives (refer Note 13)

In determining the carrying value of convertible notes, the Group is required to value the conversion rights. The value of these rights can not be readily determined and the Group is required to estimated value using valuation techniques that include assumptions as to the value of the Company's shares, implied volatility and risk adjustments.

Rehabilitation cost estimates (refer Note 18)

As part of the identification and measurement of assets and liabilities acquired the Group has considered the need for a provision for possible obligations associated with the decommissioning and removal of the Group's power station.

4 New and amended accounting standards early adopted by the Group

The Group has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the International Standards Board ('IASB') that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Group. Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

5 Accounting standards issued by not yet effective and have not been adopted early by the Group

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2021. The consolidated entity has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

AASB 1060 General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities

AASB 1060 sets out a new separate disclosure Standard to be applied by all entities that are reporting under Tier 2 of the Differential Reporting Framework in AASB 1053 Application of Tiers of Australian Accounting Standards. The Standard has been developed based on a new methodology and principles to be used in determining the Tier 2 disclosures that are necessary for meeting user needs, to replace the current Reduced Disclosure Requirements (RDR) framework.

This Standard does not change:

i) which entities are permitted to apply Tier 2 reporting requirements; and
ii) the recognition and measurement requirements of Tier 2, which are the same as for Tier 1.

Entities that comply with this Standard must apply the recognition and measurement requirements in other Standards, but are exempt from the disclosure requirements in those other Standards. While this Standard includes certain presentation requirements, these do not result in presentations or classifications that are different to those required for Tier 1 entities.

AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as current or Non-current

AASB 2020-1 makes amendments to AASB 101 Presentation of Financial Statements to clarify requirements for the presentation of liabilities in the statement of financial position as current or non-current. A liability is classified as current if the entity has no right at the end of the reporting period to defer settlement for the liability for at least 12 months after the reporting period. The AASB recently issued amendments at AASB 101 to clarify the requirements for classifying liabilities as current. Specifically:

i) clarifying that the classification of a liability as either current or non-current is based on the entity's rights at the end of the reporting period;

ii) stating that management's expectations around whether they will defer settlement or not does not impact the classification of the liability;

iii) adding guidance about lending conditions and how these can impact classification; and

iv) including requirements for liabilities that can be settled using an entity's own instruments.

6 Segment information

For management purposes, the Group is organised into a single business unit which is the development and the operation of a sustainable energy business in order to produce clean energy.

7 Expenses

	2021 $	2020 $
(a) Employee benefits expense		
Wages and salaries	**1,586,644**	755,593
Other employee expenses	**96,395**	5,954
Job Keeper payments received	**(87,600)**	(24,000)
Equity settled share based payment to employees	**369,766**	154,142
	1,965,205	891,689
(b) Finance costs net		
Discounting impact on deferral amount payable for acquisition of plant	**11,727**	24,218
Financing costs of convertible notes	**519,472**	306,662
	531,199	330,880
(c) Consulting fees settled via an issue of shares		
Consulting fees settled via an issue of shares (Note 14(a) (2))	**3,200,000**	-
(d) Rental expense		
Rental expense	**120,000**	123,555

8 Income tax

	2021 $	2020 $
(a) Income tax expense		
Loss before income tax expense	(14,597,176)	(2,525,431)
Prima facie tax benefit at 26.0% (2020: 27.5%)	3,795,266	694,494
Tax effect of amounts that are not deductible in calculating taxable income		
Share-based payments	(530,244)	(42,389)
Settlement of contingent consideration via issue of shares	(832,000)	-
Refinancing costs of loan (Notes 18(a) and 18(b)	(773,635)	-
Finance costs of convertible notes	(86,304)	(54,249)
Discounting impact on deferral amount payable for acquisition of plant	(3,049)	(6,660)
	1,570,034	591,195
Movement in temporary differences		
Movement in leave provision	(25,166)	(5,307)
Movement in accrual	(607,532)	(19,228)
Movement in loan refinancing costs	(9,022)	-
Tax losses not recognised	(928,314)	(566,660)
Income tax expense - tax benefit not recognised	**-**	**-**

(b)	**Income tax recognised directly in equity**		
	Capital raising costs	156,170	6,875
	Tax losses not recognised	(156,170)	(6,875)
	Income tax recognised directly in equity - tax benefit not recognised	-	-
(c)	**Unrecognised deferred tax asset**		
	Capital raising costs	169,260	13,090
	Loan refinancing costs	9,022	-
	Accruals and provision for employee benefit expense	676,287	43,589
	Carry forward tax losses	2,281,194	1,196,710
		3,135,763	1,253,389

The Group has tax losses available to be utilised at 30 June 2021. The benefit relating to these and the current year losses has not been recognised in the financial report at 30 June 2021 as it is not probable that future taxable profit will be available against which the Group would be able to utilise these losses.

Tax returns for the Group for the year ended 30 June 2021 are in progress at the date of this report.
Current and prior year tax losses will only be recognised if:

(i) the Group and the Company derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised;

(ii) the Group and the Company continue to comply with the conditions for deductibility imposed by tax legislation; and

(iii) no changes in tax legislation adversely affect the Group and the Company in realising the benefit from the deductions for the losses.

The Company and its wholly owned entities have not formed a consolidated income tax group as of 30 June 2021.

9 Cash and cash equivalents

		2021 $	2020 $
(a)	**Cash and bank balances**	**4,272,984**	285,037

Cash at bank earns interest at floating rates based on daily bank deposit rates.

	2021 $	2020 $
(b) Reconciliation from the net profit after tax to the net cash flows from operations		
Loss from continuing operations after tax	(14,597,176)	(2,525,431)
Adjustments for:		
Equity settled share based payment to employees	369,766	154,142
Share-based payments	1,669,662	-
Non cash finance costs	3,485,687	317,824
Consulting fees settled via an issue of shares	3,200,000	-
Depreciation	1,622	-
Changes in operating assets and liabilities, net of effects from purchase of controlled entity		
(Increase) in other assets	(50,000)	-
Increase in trade and other payables	1,475,474	217,435
Decrease in other liabilities	-	(28,806)
Increase in provision	96,791	19,298
Net cash used in operating activities	**(4,348,174)**	(1,845,538)
(c) Non-cash investing activities		
Finance costs capitalised (Note 11)	**407,369**	220,925
(d) Non-cash financing activities		
Share issuances costs related to a proposed listing of securities	**900,744**	-
Issue of shares in-lieu of cash for services provided (Note 14)	**1,120,000**	360,000
Issue of shares in settlement of a contingent liability (Notes 14 and 18)	**1,500,000**	-
Recognition of equity component of convertible note (Note 15)	**-**	347,830

10 Other assets

	2021 $	2020 $
Prepayments	**50,000**	-

11 Property, plant and equipment

	Plant and machinery $	Office equipment $	Total $
Cost			
At 1 July 2019	6,511,923	-	6,511,923
Borrowing costs (1)	220,925	-	220,925
Additions at cost (2)	28,238	-	28,238
At 30 June 2020	6,761,086	-	6,761,086
At 1 July 2020	**6,761,086**	**-**	**6,761,086**
Borrowing costs (1)	**407,369**	**-**	**407,369**
Additions at cost (2)	**218,474**	**30,084**	**248,558**
At 30 June 2021	**7,386,929**	**30,084**	**7,417,013**
Depreciation and impairment			
At 1 July 2019	-	-	-
Depreciation charged for year	-	-	-
At 30 June 2020	-	-	-
At 1 July 2020	**-**	**-**	**-**
Depreciation charged for year	**-**	**(1,622)**	**(1,622)**
At 30 June 2021	**-**	**(1,622)**	**(1,622)**

	Plant and machinery $	Office equipment $	Total $
Net book value			
At 30 June 2020	6,761,086	-	6,761,086
At 30 June 2021	**7,386,929**	**28,462**	**7,415,391**

(1) The Redbank Power Station is not available for use. The Group capitalises borrowing costs directly attributable to the purchase of the asset and bringing the asset to a useable condition.

(2) Subsequent to the purchase of the Redbank Power Station, the Group evaluates costs incurred and capitalises allowable costs incurred in bringing the asset to a useable condition.

12 Trade and other payables

	2021 $	2020 $
Trade payables	692,981	490,647
Accrued expenses	2,233,878	99,921
Closing balance	**2,926,859**	590,568

13 Financial liabilities

	2021 $	2020 $
Current		
Payable on acquisition of plant (Note 19 (b))	**-**	750,000
Secured loan (1)	**1,113,800**	1,838,929
Convertible notes (2)	**1,789,398**	-
Deferred amount payable for acquisition of plant (3)	**-**	1,488,265
Other	**-**	25,000
	2,903,198	4,102,194
Non-current		
Secured loan (1)	**2,588,810**	-
Convertible notes (2)	**-**	1,427,950
	2,588,810	1,427,950
Total	**5,492,008**	5,530,144

(1) Upon purchase of the Redbank Power Station on 7 September 2018, the Group assumed a loan owed by the vendor of a principal amount of $2,500,000. The loan is secured against the assets acquired and carries an interest rate of 12.0%. The Company started repaying this balance but in the period from 15 December 2019 until 18 December 2020, the Company was in default of repayment obligations under the loan facility agreement. On 18 December 2020, the Company renegotiated new terms and conditions and executed an updated loan facility agreement, which resulted the Company to not be in default anymore. The renegotiated repayment terms includes monthly repayment instalments, additional substantial payments upon the occurrence of significant events and a final maturity date of 31 July 2022.The Group incurred a loss on refinancing the secured loan of $3,322,520 which included transaction costs, renegotiation of amounts and the settlement of contingent liabilities associated with the acquisition of the Redbank Power Station.

(2) The convertible notes have an interest payable at 8% per annum until repaid or converted and a term of 24 months from the date of issue, unless converted or repaid prior. They can be converted at the holders' option at a deemed value of 9 cents per ordinary share (equivalent to 21,555,554 ordinary shares). If the listing of the Company's securities on a stock exchange has not occurred within 6 months of electricity generation, then the notes are to be repaid at 115% of the face value of the notes. The Company can elect to repay at anytime prior to redemption at 150% of face value. A significant estimate in the valuation and treatment of the Group's convertible notes is determining a market interest rate. Management performed this by observing comparable loans without conversion features to determine the market value of the conversion feature. Management determined a market interest rate for a comparable loan without a conversion feature to be 20%. This is a tier 3, non-recurring fair value input.

(3) Amount owing on the purchase of the Redbank Power Station, that was due for repayment in 3 equal instalments on 18 June 2020, 18 December 2020 and 18 June 2021. As required by IFRS 9, the Group determined a fair value at initial recognition discounting the financial liability to represent the time-value and market risk of these cash flows. During the financial year the terms of the amount payable was renegotiated and combined with the secured loan. A significant estimate in the valuation and treatment of the Group's deferred amount payable for acquisition of plant is determining a market interest rate. Management performed this by observing comparable loans. Management determined a market interest rate for a comparable loan to be 20%. This is a tier 3, non-recurring fair value input.

14 Equity

(a) Shares

			2021 Shares	2021 $	2020 Shares	2020 $
Ordinary shares - fully paid (1)			**320,356,158**	**20,140,054**	95,222,224	5,020,000
Movements in fully paid ordinary shares	**Date issued**	**Issue price**				
Balance at the beginning of the financial period			95,222,224	5,020,000	91,555,558	4,372,000
Issue of shares	23/10/19	$0.18	-	-	1,666,666	300,000
Issue of shares	05/11/19	$0.18	-	-	2,000,000	360,000
Issue of shares	31/07/20	$0.20	15,729,605	3,145,921	-	-
Share split 2:1	30/09/20	$0.00	110,951,829	-	-	-
Issue of shares (Note 18)	18/12/20	$0.10	15,000,000	1,500,000	-	-
Issue of shares	15/03/21	$0.16	39,696,250	6,351,400	-	-
Issue of shares	14/04/21	$0.16	16,756,250	2,681,000	-	-
Issue of shares (2)	30/06/21	$0.16	20,000,000	3,200,000	-	-
Issue of shares for services	30/06/21	$0.16	7,000,000	1,120,000	-	-
Transaction costs of issues			-	(2,878,267)	-	(12,000)
Balance at the end of the financial year			**320,356,158**	**20,140,054**	95,222,224	5,020,000

(1) Ordinary shares entitle the shareholder to participate in dividends and the proceeds of winding up the Company in proportion to the number of shares held and the amounts paid on shares held. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital. On a show of hands, every member present at a meeting in person, or by proxy, shall have one vote per share and upon a poll, each share shall have one vote.

(2) Issue of ordinary shares subject to performance conditions. In the event performance conditions are not achieved within 36 months form the date of issue the Company has the right to repurchase the shares at a nominal value.

Performance conditions:

Tranche 1 a) at least $500,000 be raised by the Company to assist in the funding of a study into the commercial and operational aspects of establishing a hydrogen production facility (Feasibility Study); and

b) the Feasibility Study is completed within 6 months from date of issue; and

c) the Feasibility Study delivers a commercially acceptable result.

Tranche 2 a) Tranche 1 conditions have been satisfied; and

b) an agreement is reached for the location of a hydrogen production facility acceptable to the Company.

Tranche 3 a) Tranche 1 and 2 conditions have been satisfied; and

b) an offtake agreement from the hydrogen production facility is negotiated on reasonable commercial terms.

During the financial year Tranche 1 and 2 performance conditions were met and the shares vested. This resulted in an expense of $3,200,000 being 20,000,000 ordinary shares at an issue price of $0.16 each. 10,000,000 performance shares subject to Tranche 3 have not yet reached their conditions and remain unvested. Where shares are issued for non-cash consideration, the most recent trading price is utilised to value equities.

(b) Options

The Company has the following share options outstanding under share based plans:

		2021		2020	
		Number of options	**Weighted average exercise**	Number of options	Weighted average exercise price
Movements in options (1)	**Date issued**				
Opening balance (adjusted for share split) (2)		**14,000,000**	**$0.107**	7,000,000	$0.214
Granted	01/12/20	**8,000,000**	**$0.075**	-	-
Granted	15/03/21	**3,326,750**	**$0.300**	-	-
Granted	15/03/21	**11,531,250**	**$0.200**	-	-
Granted	14/04/21	**6,250,000**	**$0.200**	-	-
Granted	14/04/21	**1,476,250**	**$0.300**	-	-
Granted	30/06/21	**9,028,250**	**$0.200**	-	-
Granted	30/06/21	**2,560,937**	**$0.300**	-	-
Granted	30/06/21	**2,000,000**	**$0.075**	-	-
Granted	30/06/21	**8,900,000**	**$0.200**	-	-
Closing balance		**67,073,437**	**$0.173**	7,000,000	$0.210
Exercisable at 30 June		**50,173,437**	**$0.139**	1,000,000	$0.600

(1) No options were exercised, expired or were cancelled during the current or prior financial year. Share options outstanding at the end of the year have the following expiry date and exercise prices.

(2) The number of options doubled as a result of a share split that occurred on 30 September 2020.

Class	Vesting Conditions	Grant date	Expiry date	Exercise price	Vested & exercisable	Not vested, not exercisable	Number 2021	Number 2020
A*	Vested	30/04/18	30/04/23	$0.300	2,000,000	-	**2,000,000**	1,000,000
B*	Employed 4 years	01/12/18	01/12/25	$0.075	-	8,000,000	**8,000,000**	4,000,000
C*	Vested	01/12/18	01/12/25	$0.075	4,000,000	-	**4,000,000**	2,000,000
D	Vested	01/12/20	01/12/25	$0.075	8,000,000	-	**8,000,000**	-
E	Vested	15/03/21	31/07/24	$0.300	3,326,750	-	**3,326,750**	-
F	Vested	14/04/21	31/07/24	$0.300	1,476,250	-	**1,476,250**	-
G	Vested	15/03/21	31/03/25	$0.200	11,531,250	-	**11,531,250**	-
H	Vested	14/04/21	31/03/25	$0.200	6,250,000	-	**6,250,000**	-
I	Vested	30/06/21	31/03/25	$0.200	9,028,250	-	**9,028,250**	-
J	Vested	30/06/21	31/07/24	$0.300	2,560,937	-	**2,560,937**	-
K	Vested	30/06/21	01/12/25	$0.075	2,000,000	-	**2,000,000**	-
L	Remain employed 1 year	30/06/21	01/12/25	$0.200	-	4,000,000	**4,000,000**	-
M	Remain employed 2 years	30/06/21	01/12/25	$0.200	-	4,900,000	**4,900,000**	-
					50,173,437	16,900,000	**67,073,437**	7,000,000

* The number of options doubled as a result of a share split that occurred on 30 September 2020.

(c) Capital risk management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern so that it may continue to develop its business and ultimately provide returns for shareholders and benefits for other stakeholders. The Group also seeks to maintain an appropriate structure of debt and equity. The Group's capital consists of equity raised via share and option issues, convertible instruments and loan amounts owed.

There are no restrictions placed by external parties on its capital management processes, other than in the event of raising certain levels of equity triggers additional repayments due under its loan facility. In order to maintain or adjust the capital structure at its current stage of development, the Group actively manages its cash outgoings and/or raises additional equity. There have been no changes in the capital management policies or processes from the prior year.

(d) Other contributed equity

Other contributed equity relates to capital which has been raised but for which shares have not been issued at June 30, 2020 and the Group held $265,000 of capital as of that date. During the financial year the Company issued 1,325,000 shares at $0.20 each.

15 Reserve

	2021 $	2020 $
Share based payment reserve		
Opening balance	**243,308**	89,166
Share-based payment expense	**2,039,428**	154,142
Closing balance	**2,282,736**	243,308

The share based payment reserve records the value of share options issued to Directors and employees of the Company and third parties.

	2021 $	2020 $
Other capital reserve - equity component on issue of convertible notes		
Opening balance	**265,893**	-
Recognition of equity component on issue of convertible notes	**-**	347,830
Costs of issued capital	**-**	(81,937)
Closing balance	**265,893**	265,893

The other capital reserve is used to recognise the equity component of financing transactions. This includes the equity component within convertible notes

Total reserves	**2,548,629**	509,201

16 Share-based payments

(a) Details of share options granted during the current period.

Class D options were issued to a consultant of the Company for services rendered. The options were vested on issue. Vested options can be converted into ordinary shares for cash or cashless basis.

Class E,F,G,and H options were attached to shares as free options and were issued to shareholders as part of capital raising activities. No good or service was received in return. There are no vesting conditions.

Class I and J options were issued to consultants of the Company for services rendered. The options were vested on issue. Vested options can be converted into ordinary shares for cash or cashless basis.

Class K options were issued to a director of the Company for services rendered. The options were vested on issue. Vested options can be converted into ordinary shares for cash or cashless basis.

Class L and M options were issued to a employees or consultants of the Company for services rendered. The options vested on either the holder remaining engaged with the Company for 1 or 2 years from issue. Vested options can be converted into ordinary shares for cash or cashless basis.

	Class D	Class I	Class J	Class L	Class M	Class K
Grant date	1/12/2020	30/06/2021	30/06/2021	30/06/2021	30/06/2021	30/06/2021
Expiry date	1/12/2025	31/03/2025	31/07/2024	1/12/2025	1/12/2025	1/12/2025
Exercisable from	1/12/2020	30/06/2021	30/06/2021	30/06/2022	30/06/2023	30/06/2021
Exercise price	$0.075	$0.200	$0.300	$0.200	$0.200	$0.075
Number of options issued	8,000,000	9,028,250	2,560,937	4,000,000	4,900,000	2,000,000
Fair value at grant date	$542,648	$919,521	$206,566	$435,701	$533,734	$259,414
Fair value at grant date per option	$0.068	$0.102	$0.081	$0.109	$0.109	$0.130
Vesting conditions	None	None	None	Remain employed 1 year	Remain employed 2 years	None

The fair values of the share options were determined using the following parameters:

	Class D	Class I	Class J	Class L	Class M	Class K
Expected volatility of ordinary shares (1)	79%	101%	101%	101%	101%	101%
Risk free interest rate	0.29%	0.10%	0.10%	0.10%	0.10%	0.10%
Underlying share price at valuation date ($/share) (2)	$0.100	$0.160	$0.160	$0.160	$0.160	$0.160
Weighted average life of option (years)	5.0	3.8	3.1	4.4	4.4	4.4
Exercise price ($/share)	$0.075	$0.200	$0.300	$0.200	$0.200	$0.075
Valuation method	Black Scholes	Black Scholes	Black Scholes	Black Scholes	Black Scholes	Black Scholes

(1) A significant estimate in the valuation and treatment of the Group's share-based payments is determining an appropriate volatility. Management performed this by observing a basket of comparable companies listed on the Australian Stock Exchange. Management determined an expected volatility of ordinary shares of 101%, except for Class D options where a volatility of 79% was applied. This would be reflected through the profit or loss over the life of the share-based payment. This is a tier 2, non-recurring fair value input.

(2) A significant estimate in the valuation and treatment of the Group's share-based payments is determining an appropriate underlying share price. Management performed this by observing capital raises undertaken by the Group around the time of issuance. At the time of the valuation, the most recent capital raising by the Group occurred on 15 March 2021 and subsequently 14 April 2021 for $0.16 per share. This is a tier 2, non-recurring fair value input.

(3) At a shareholder meeting held on 27 August 2020 shareholders approve a 1:2 split of the Company's ordinary shares.

(b) Details of share options granted during prior periods

Class A options were issued to shareholders as part of capital raising activities. No good or service was received in return and as such, they have no value. There are no vesting conditions.

Class B options were issued to a Director and employees of the Company for services rendered. The options were vested over 2-4 years and required the Director or employee to remain engaged with the Company. Vested options can be converted into ordinary shares on a cashless basis.

	Class B	Class C
Grant date	1/12/2018	1/12/2018
Expiry date	1/12/2025	1/12/2025
Exercisable from	1/12/2022	1/12/2020
Exercise price	$0.15	$0.15
Number of options issued	4,000,000	2,000,000
Fair value at grant date	$308,600	$154,300
Fair value at grant date per option	$0.077	$0.077
Vesting conditions - remain employed for	4 years	2 years

The fair values of the share options were determined using the following parameters:

	Class B	Class C
Expected volatility of ordinary shares (1)	70%	70%
Risk free interest rate	2.44%	2.44%
Underlying share price at valuation date (2)	$0.120	$0.120
Weighted average life of option	7.0	7.0
Exercise price	$0.15	$0.15
Valuation method	Binomial	Binomial

(1) A significant estimate in the valuation and treatment of the Group’s share-based payments is determining an appropriate volatility. Management performed this by observing a basket of comparable companies listed on the Australian Stock Exchange. Management determined an expected volatility of ordinary shares of 70%. This would be reflected through the profit or loss over the life of the share-based payment. This is a tier 2, non-recurring fair value input.

(2) A significant estimate in the valuation and treatment of the Group’s share-based payments is determining an appropriate underlying share price. Management performed this by observing capital raises undertaken by the Group around the time of issuance. At the time of the valuation, the most recent capital raising by the Group occurred on June 7, 2018 for $0.12 per share. This is a tier 2, non-recurring fair value input.

17 Financial assets and liabilities

(a) Financial risk management objectives

The Group’s financial instruments consist mainly of deposits with banks, accounts payable, convertible notes and loans. The main purpose of non-derivative financial instruments is to raise finance for Group operations. The directors consider that the limited risks mean there is no need to enter into risk management strategies involving derivative instruments. The Group is exposed to credit risk, liquidity risk and interest rate risk.

(b) Categories of financial instruments

The following table details the carrying amounts and fair values of the Group's financial assets and financial liabilities. The directors consider that the carrying amounts of financial assets and liabilities recorded at amortised cost in the financial statements approximate their fair values.

	Note	2021 $	2020 $
Financial assets			
Measured at amortised cost			
Cash and cash equivalents	9	**4,272,984**	285,037
Financial liabilities			
Liabilities measured at amortised cost:			
Trade and other payables	12	**2,926,859**	522,621
Payable on acquisition of plant	13	**-**	750,000
Secured loan	13	**3,702,610**	1,838,929
Deferred amount payable for acquisition of plant	13	**-**	1,488,265
Convertible notes	13	**1,789,398**	1,427,950
Other liabilities	13	**-**	25,000
		8,418,867	6,052,765

(c) Credit risk exposures

Credit risk arises principally from the Group's receivables and cash and bank balances. Credit risk is kept continually under review and managed to reduce the incidence of material losses being incurred by the non-receipt of monies due.

The maximum exposure to credit risk on financial assets of the Group which has been recognised on the Statement of Financial Position is generally the carrying amount, net of any provisions for doubtful debts. The Group has no significant concentrations of credit risk with any single counterparty or group of counterparties. The Group's financial assets are limited to credit risk exposures to Australia on a geographical basis.

2021	**Interest rates**	**Contractual repayment amount**	**Within 1 year**	**1-5 years**
Cash and cash equivalents	0.0%	**4,272,984**	**4,272,984**	**-**
2020				
Cash and cash equivalents	0.0%	285,037	285,037	-

(d) Liquidity risk management

The board has put in place liquidity risk management policies for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by having a combination of:

i) continuously monitoring forecast and actual cash flows;
ii) having in place loan facilities structured to grow as the size of the business increases; and
iii) arranging issues of securities as required.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group could be required to pay. The table includes principal and interest cash flows at the face value of the amount owing and therefore the figures differ from those shown in the financial statements.

2021	**Interest rate**	**Within 1 year**	**1-5 years**	**Total**
		$	**$**	**$**
Trade payables	**0%**	**2,926,859**	**-**	**2,926,859**
Secured loan	**12%**	**1,525,352**	**3,060,605**	**4,585,957**
Convertible note	**8%**	**2,015,098**	**-**	**2,015,098**
		6,467,309	**3,060,605**	**9,527,914**

2020	**Interest rate**	**Within 1 year**	**1-5 years**	**Total**
		$	**$**	**$**
Trade payables	0%	522,621	-	522,621
Payable on acquisition of plant	0%	750,000	-	750,000
Secured loan	12%	2,059,600	-	2,059,600
Deferred amount payable for acquisition of plant	0%	1,500,000	-	1,500,000
Convertible note	8%	155,200	2,017,600	2,172,800
Other	0%	25,000	-	25,000
		5,012,421	2,017,600	7,030,021

The table below reflects an undiscounted view of the contractual maturity for financial liabilities and cash flows expected to be realised from financial assets. Actual timing may differ from that disclosed. The timing of the cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates.

	Current		**Non-current**	**Total**
2021	**Within 6 months**	**6 to 12 months**	**1-5 years**	
	$	**$**	**$**	**$**
Group financial liabilities due for payment				
Trade payables	2,926,859	-	-	2,926,859
Secured loan	519,522	1,005,830	3,060,605	4,585,957
Convertible note	2,015,098	-	-	2,015,098
Total contractual and expected outflows	**5,461,479**	**1,005,830**	**3,060,605**	**9,527,914**
Group financial assets - cash flows realisable				
Cash and cash equivalents	4,272,984	-	-	4,272,984
Total anticipated inflows	**4,272,984**	**-**	**-**	**4,272,984**
Net outflows	**1,188,495**	**1,005,830**	**3,060,605**	**5,254,930**

2020	Current		Non-current	Total
	Within 6 months	6 to 12 months	1-5 years	
	$	$	$	$
Group financial liabilities due for payment				
Trade payables	522,621	-	-	522,621
Payable on acquisition of plant	750,000	-	-	750,000
Secured loan	2,059,600	-	-	2,059,600
Deferred amount payable for acquisition of plant	1,500,000	-	-	1,500,000
Convertible note	77,600	77,600	2,017,600	2,172,800
Other liabilities	25,000	-	-	25,000
Total contractual and expected outflows	**4,934,821**	**77,600**	**2,017,600**	**7,030,021**
Group financial assets - cash flows realisable				
Cash and cash equivalents	285,037	-	-	285,037
Total anticipated inflows	**285,037**	**-**	**-**	**285,037**
Net outflows	**4,649,784**	**77,600**	**2,017,600**	**6,744,984**

(e) Interest rate risk management

The Group has borrowed funds at fixed rate of interest and therefore currently has limited exposure to movements in interest rates.

18 Contingent Liabilities

As at the end of the prior period the Company had contingent liabilities totalling $9,500,000 that arose from the acquisition of the Redbank Power Station. The contingent liability was payable upon the Company achieving net profits after tax, upon which it was payable annually in instalments of 30% of net profit after tax less certain projected cash payments. During the financial period the Company renegotiated this contingent liability and reduced the balance to nil by providing consideration of $3,322,520 (refer Note 13) consisting of:

(a) $1,500,000 via an issue of 15,000,000 ordinary shares at 10 cents each (refer Note 14); and

(b) an increase in secured borrowings of $1,822,520.

The Company may have an obligation to set aside funds annually for the future costs of any remediation at the Redbank Power Station site in accordance with its development approvals. The Company is not under any current obligation to undertake remediation at the site.

19 Related party disclosures

(a) Subsidiaries

The consolidated financial statements include the financial statements of the Company and its controlled entities listed in the following table. The Company is the ultimate Australian parent entity and the ultimate parent of the Group.

Name	Country of incorporation	% Equity interest 2021	2020
Flumine Investments Pty Limited	Australia	**100%**	100%
Verdant HP NSW 2 Pty Ltd	Australia	**100%**	0%
Verdant HP NSW 1 Pty Ltd	Australia	**100%**	0%
Verdant Operations Pty Ltd	Australia	**100%**	0%
Australian Green Hydrogen Pty Limited	Australia	**100%**	0%
Verdant Power Station Pty Limited	Australia	**100%**	0%

The controlled entities results and financial position are not material to the Group's results. At the reporting date all controlled entities are a $1 investment each. Therefore the consolidated financial statements represent the Company's financials statements.

(b) Transactions with controlling shareholder

Transactions with a controlling shareholder, or their related entities during the financial period were as follows:

The Group has entered into a Corporate Advisory and Business Development Mandate (Agreement) with the controlling shareholder. The Agreement provides for the payment of fees for the raising of debt or equity capital and the charging of costs associated with the administration of the Group.

The controlling shareholder invoiced fees and expenses for the provision of management, accounting, office administration, consulting and company secretarial services to the Group, consisting of:

	2021 $	2020 $
Occupancy expenses: Office rent	**120,000**	120,000
Management fees: fees for provision of management and administrative services	**274,000**	277,500
	394,000	397,500

During a prior reporting period the Company entered into agreements with the controlling shareholder for the assignment of the right to acquire the Redbank Power Station. The agreements provided for the payment of a fee of $1,000,000 which had been fully paid prior to June 30, 2021 (2020: $750,000). The agreements also provided for a performance payment of $4,500,000 payable after the recommencement of energy generation (refer Note 18).

During the reporting period the performance payment was settled via the issue of 15,000,000 ordinary shares at 10 cents each (refer Note 18) of which 11,250,000 ordinary shares were issued to the controlling shareholder.

All transactions with shareholders are negotiated on an arms length basis.

20 Key management personnel disclosures

Key management personnel are those having authority and responsibility for planning, directing and controlling the activities of the Group. Key management personnel consists of the directors of the Company and senior management of the Group, all transactions with key management personnel are on an arms length basis. Certain key management personnel are entitled to notice of 12 months prior to the recommissioning of the Company’s power station and thereafter 3 months.

(a) Compensation of Key Management Personnel

The aggregate compensation made to key management personnel of the Group is set out below.
The remuneration shown includes all amounts incurred for the year.

	2021 $	2020 $
Short-term	**710,920**	527,502
Share-based payments	**295,789**	38,690
Post employment	**35,807**	15,200
	1,042,516	581,392

(b) Share option holdings

The number of share options in the Company held during the financial year by a director of the Company or senior management of the Group, including their personally related parties, are set out below.

Details of share options granted are provided at Note 16.

2021	**Balance at the start of the period**	**Share split**	**Granted as compensation**	**Balance at the end of the year**
Key management personnel	2,000,000	2,000,000	6,000,000	**10,000,000**

2020	Balance at the start of the period		Granted as compensation	Balance at the end of the year
Key management personnel	2,000,000	-	-	2,000,000

21 Earnings per share

	2021	**2020**
Basic and diluted earnings per share (continuing operations) (cents per share) (1)	**(6.77)**	(1.34)
Loss used to calculate basic and diluted earnings per share	**(14,597,176)**	(2,525,431)
Weighted average number of ordinary shares for basic earnings per share (2)	**215,746,244**	187,998,182
Weighted average number of ordinary shares adjusted for the effect of dilution (3)	**215,746,244**	187,998,182

(1) Share options and convertible instruments on issue that have been assessed as being antidilutive for the purpose of calculating earnings per share have been excluded from the calculation of earnings per share as the Group has incurred a loss after tax. In that circumstance the inclusion of share options would reduce the loss per share and present a misleading result.

(2) The weighted average number of shares during the period and all periods amended were adjusted for events that changed the number of shares without a change in resources (refer Note 16(a)(3)).

(3) Excludes the dilutive effect of conversion of 67,073,437 options (2020: 7,000,000) on issue and the conversion of convertible notes at the expected conversion price of 9 cents each resulting in 21,555,554 ordinary shares (2020: 10,777,777).

22 Auditor's remuneration

	2021 $	2020 $
Fees charged by the auditor of the Company for auditing or reviewing the financial report		
Half year review	**32,000**	-
Prior year overruns	**20,000**	
Year end audit	**145,000**	40,000
	197,000	40,000
Other assurance services - services provided with respect to a private registration statement filed with the Securities and Exchange Commission in connection with a proposed offering of securities	**115,000**	-
Total	**312,000**	40,000

23 Events after balance sheet date

There have been no significant events occurring after the balance date which may affect the Company's operations, results of those operations or the Company's state of affairs, other than as noted below.

The Group is considering a listing of its securities on a recognised securities exchange and is in the process of undergoing due diligence and preparing the required documentation.

Verdant Earth Technologies Limited
Directors' Declaration

In accordance with a resolution of the directors of 23 September, 2021, the directors declare that:

(a) The financial statements and notes of the company are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the company's financial position as at 30 June 2021 and of its performance for the period ended on that date; and

(ii) complying with the Australian Accounting Standards - Reduced Disclosure Requirements as issued by Australian Accounting Standards Board as described in Note 2 of the financial statements.

(b) There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the Board,

James Myatt
Director
Sydney 23 September, 2021

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Auditor's Independence Declaration

To the Directors of Verdant Earth Technologies Limited

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the audit of Verdant Earth Technologies Limited for the year ended 30 June 2021, I declare that, to the best of my knowledge and belief, there have been:

a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

b no contraventions of any applicable code of professional conduct in relation to the audit.

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

N P Smietana
Partner – Audit & Assurance

Sydney, 23 September 2021

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Independent Auditor's Report

To the Members of Verdant Earth Technologies Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of Verdant Earth Technologies Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2021, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the Directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

a giving a true and fair view of the Group's financial position as at 30 June 2021 and of its performance for the year ended on that date; and

b complying with Australian Accounting Standards – Reduced Disclosure Requirements and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Material uncertainty related to going concern

We draw attention to Note 2b in the financial statements, which indicates that the Group incurred a net loss of $14,597,176 during the year ended 30 June 2021, had net cash used in operating activities of $4,348,173 and as of that date, the Group's current liabilities exceeded its current assets by $1,662,450. As stated in Note 2b, these events or conditions, along with other matters as set forth in Note 2b, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Information other than the financial report and auditor's report thereon

The Directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2021, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors 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 – Reduced Disclosure Requirements and the *Corporations Act 2001*. The Directors' responsibility also includes such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf. This description forms part of our auditor's report.

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

N P Smietana
Partner – Audit & Assurance

Sydney, 23 September 2021