

EnviroMission

EnviroMission Limited
ACN: 094 963 238
3 Raglan Street
South Melbourne, Victoria 3205
T +61 3 9693 5666
F +61 3 9699 7566
E communications@enviromission.com.au

COMPANY ANNOUNCEMENTS DIVISION
For Immediate Release
Friday, 28 September, 2007

ASX Code: EVM
US OTC Code: EVOMY

C
O
M
P
A
N
Y

A
N
N
O
U
N
C
E
M
E
N
T

Annual Report Year Ended 30 June, 2007

EnviroMission's Annual Report for the year ended 30 June, 2007 follows.

Ends.



Roger C. Davey
Executive Chairman
Chief Executive Officer

EnviroMission Limited

ACN 094 963 238

Annual Report
Year Ended 30 June 2007

The Corporate Directory

Directors

Roger C Davey (Executive Chairman)
David N Galbally QC
Geoff M Parkinson
Guoxiang Ma (Alternate, Yue Tang)

Company Secretary

Ian D Riley

Registered Office and Principal Operations Office

Ground floor
3 Raglan Street
South Melbourne Victoria
Australia
Telephone +61 (3)9693 5666
Facsimile +61 (3) 9699 7566
Email admin@enviromission.com.au
Website www.enviromission.com.au

Share Register

Computershare Investor Services Pty Ltd
Yarra Falls
452 Johnston Street
Abbotsford Victoria 3067
Australia
Telephone +61 (3) 9415 5000
Facsimile +61 (3) 9415 5300
Website www.computershare.com

Auditor

MSI Ragg Weir
Level 2, 50 Burwood Road
Hawthorn Victoria 3122
Australia

Incorporated 2 November 2000

ASX Code: EVM – Ordinary Shares

**ENVIROMISSION LIMITED AND CONTROLLED ENTITIES
ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED
30 JUNE 2007**

CONTENT OUTLINE

	Page
Corporate Governance Statement	3
Directors' Report	6
Auditor's Independence Declaration	13
Directors' Declaration	14
Financial Report	
Income Statement	15
Balance Sheet	16
Statement of Cash Flows	17
Statement of Changes in Equity	18
Notes to the Financial Statements	19
Independent Audit Report	34
Shareholder Information	36

ENVIROMISSION LIMITED AND CONTROLLED ENTITIES CORPORATE GOVERNANCE STATEMENT

The Board of Directors has implemented the Best Practice Recommendation of the ASX Corporate Governance Council to the extent appropriate for the size and nature of the company's business as described below.

Principle 1: Lay solid foundations for management and oversight

The board has been structured to ensure that an appropriate mix of experience and expertise is available to provide strategic guidance for the company and effective oversight of management. Directors' qualifications and experience is detailed in the 'Information on Directors' section of the Directors' Report.

The board determines the allocation of the individual responsibilities to board members having regard to the individual's skills and expertise. The Board of Directors is responsible for:

- Oversight of the company
- The appointment and removal of the CEO and CFO
- Development of corporate strategy and performance objectives
- Oversight of risk management and internal control systems to ensure legal and regulatory compliance
- Monitoring and reporting financial performance.

Principle 2: Structure the board to add value

The chairperson is an executive director who is also the chief executive officer. However, a majority of directors are deemed to be "independent directors" as defined by the ASX Corporate Governance Best Practice Recommendations for the following reasons:

- The company operates in one industry segment and currently the board is not considering diversification. Therefore there is no conflict of interest regarding the allocation of resources between industry segments.
- The experience and expertise of directors in this industry segment is considered above independence requirements as industry expertise enables the board to clearly identify risks and opportunities as they arise to optimise the company's response.
- Two of four directors are substantial shareholders of the company or are directly associated with a substantial shareholder of the company. This means that their interests are clearly aligned with shareholders to maximize the returns on investment having due regard to both short-term and long-term objectives.

The size and nature of the business does not call for a formal nomination committee. The board acts as a whole to identify the competencies required by the board and appropriate action is taken to access any additional skills when deemed necessary.

It is board policy that directors can obtain independent professional advice at the expense of the company by prior agreement with the board.

Principle 3: Promote ethical and responsible decision-making

All directors and officers of the company are required to discharge their responsibilities ethically and with integrity. The company's code of conduct requires:

- Conflicts of interest to be disclosed to the board at the earliest opportunity including any transactions that might result in personal gain;
- Directors and officers must act in the best interest of the company and are prohibited from taking advantage of property, information or their position for personal gain;
- All company information is deemed to be confidential and may not be disclosed to third parties, except where disclosure is authorised or legally mandated. In these circumstances, the information must be authorised by the board before being publicly disclosed;
- The company complies with all relevant laws and regulations including Trade Practices and Occupational Health and Safety legislation;
- Company assets are only to be used for legitimate business purposes;

ENVIROMISSION LIMITED AND CONTROLLED ENTITIES CORPORATE GOVERNANCE STATEMENT

- Unlawful and unethical behaviour is to be reported to the board in confidence, with protection for those who report violations in good faith.

The law prohibits insider trading and the Corporations Act 2001 and the ASX Listing Rules require disclosure of any trading undertaken by directors or their related entities in the company's securities. The company secretary must be notified of any intended trading and must also be provided with confirmation that the trading has occurred.

Principle 4: Safeguard integrity in financial reporting

The board obtains an annual declaration from the chief executive officer and the chief financial officer that the company's financial reports present a true and fair view, in all material respects, of the company's financial condition and operational results and are in accordance with relevant accounting standards.

The board has established an audit committee comprising a majority of non-executive directors. The chairperson of the audit committee is an independent director. The names of members of the audit committee and their attendance at audit committee meetings are provided in the Directors' Report. The audit committee meets with the external auditor at least twice per annum. The audit committee is responsible for:

- Assessing the adequacy of financial reporting processes;
- Assessing whether financial reports are adequate for shareholder needs;
- Assessing the performance and independence of the external auditors, including the rotation of external audit engagement partners and the provision of non-audit services;
- Assessing the adequacy of the company's risk management and internal control systems.

Due to size and nature of the company the audit committee does not have a formal charter.

Principle 5: Make timely and balanced disclosure

The board has responsibility for compliance with the ASX Listing Rules disclosure requirements. Company announcements must be:

- made in a timely manner;
- factual;
- contain all relevant information;
- expressed in a clear and objective manner so that investors can assess the impact of that information on their investment decisions.

Principle 6: Respect the rights of shareholders

The board respects the rights of shareholders and supports the effective exercise of those rights by:

- providing investor information on the company's website including annual reports and company announcements made to the ASX;
- direct communication with shareholders at the annual general meeting and response to shareholder questions throughout the year.

Principle 7: Recognise and manage risk

The audit committee has responsibility for assessing the company's risk management and internal control systems. Having regard to the nature and size of the business, risk management policies and procedures have not been formally documented as the board considers that the costs of documentation would outweigh the benefits. Due to the close involvement of the directors in the oversight of operations, any issues arising are brought to the attention of the board at the earliest opportunity for resolution.

ENVIROMISSION LIMITED AND CONTROLLED ENTITIES CORPORATE GOVERNANCE STATEMENT

The chief executive officer and the chief financial officer provide an annual declaration to the board stating that:

- the integrity of the financial statements is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the board; and
- the company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

Principle 8: Encourage enhanced performance

The performance of directors is reviewed periodically by the board as a whole. Directors and officers are encouraged to participate in continuing education programs that will update their skills and knowledge of key developments within the industry in which the company operates, and regulatory and legislative changes that impact on reporting responsibilities.

Principle 9: Remunerate fairly and responsibly

The Company's ASX Principles of Good Corporate Governance as adopted is to Remunerate Fairly and Responsibly and part of the remuneration is to be incentive based as considered appropriate by the Board. The Board of Directors maintains remuneration policies which are aimed at attracting and retaining a motivated workforce and management team. The intention is to match the outcomes from the remuneration system with the performance of the Company and ultimately the value received by shareholders on a long-term basis.

As an overall policy, the Company will remunerate in such a way that it:

- motivates Directors and management to pursue the long-term growth and success of the Company within an appropriate control framework; and
- demonstrates a clear relationship between key executive performance and remuneration.

Due to the limited size of the Company and of its operations and financial affairs, the use of a separate remuneration committee is not considered appropriate. The Board has adopted the following policies of Directors and executives remuneration:

A full discussion of the Company's remuneration philosophy and framework and the remuneration received by Directors and executives in the current period is included in the remuneration report, which is contained within the Report of the Directors.

Principle 10: Recognise the legitimate interests of stakeholders

The board recognises that the company has wide ranging obligations to a broad range of stakeholders. Some of these obligations are covered by legal requirements such as trade practices, equal opportunity and environmental issues.

The company is committed to good corporate citizenship and endeavours to support the local community in which it operates where appropriate.

Given the size and nature of the business, and the relatively early stages of identification of generally accepted suitable criteria to assess performance, the board has determined to continue to monitor developments at this stage, with a view to developing a code of conduct applicable to the broader group of stakeholders in the future.

Directors' Report

The Directors herewith present their report on EnviroMission Limited (“**Company**”) and its controlled entities for the financial year ended 30 June 2007. EnviroMission Limited is incorporated and domiciled in Australia.

The names of the Directors in office at any time during or since the end of the year, together with particulars of their qualifications and experience are:

Roger Chalmers Davey B.Bus, CPA, CFTP

Executive Chairman

Age 61 (Director since 31 July 2001)

Mr Davey is a 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 Securities Institute of Australia and Member of the Finance and Treasury Association Limited.

Mr Davey is a director of SolarMission Technologies, Inc a major shareholder of EnviroMission. He was a director of Australia's largest stockbroking firm, McIntosh Risk Management Ltd (now Merrill Lynch) and responsible for the creation and development of financial futures operations as managing director of McIntosh Risk Management Ltd. He was a director of the Sydney Futures Exchange Ltd and Bain Refco Commodities Limited, 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 futures 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 ASX.

Geoffrey Max Parkinson

Non-Executive Director

Age 51 (Director since 2 November 2000)

Mr Geoffrey Parkinson has 30 years experience in the banking and finance sector in key executive director and management roles. He has contributed extensively to the development of the sector through his widely adopted training and development programmes.

Mr Parkinson is founder and director of West Australian based Mortgage Originator entity FinanceCorp North Pty Ltd.

David Norman Galbally QC, B Juris LLB

Non-Executive Director

Age 56 (Appointed 22 April 2005)

Mr Galbally is a Director of the Company. He has extensive experience in the areas of criminal law and white collar crime, corporate law, and 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 & Safety matters.

Mr Galbally was a partner in the legal firm Galbally & O'Bryan from 1977 to 1983, appointed as Queen's Council in 1996 and a partner in the firm Browne & Co from 2000 to the present.

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 and honorary chair of the board of the Royal Children's Hospital for Hormone Research.

Directors' Report

Guoxiang Ma

Non-Executive Director

Age 45 (Director since 8 June 2004)

Mr Guoxiang Ma is the founding Chairman of Shanghai Xiang Jiang Industrial Co. Ltd., since 1994. Shanghai Jiang has been involved in property development and the building sector since inception.

Mr Ma is also Chairman of Sunshine Energy (Aust.) Pty. Ltd., an investor in EnviroMission, that will form an important link in the development of Solar Tower power stations in China.

Yue Tang

Alternate Director for Guoxiang Ma

Age 48 (Alternate Director since 8 June 2004)

Mr. Tang is Director and Secretary of Sunshine Energy (Aust.) Pty. Ltd. and Shanghai Xiang Jiang Industrial Co. Ltd. Mr. Tang is an engineer with experience in semiconductor research associated with solar power generation.

COMPANY SECRETARY

The following person held the position of Company Secretary at the end of the financial year:

Ian D Riley Dip. Comm., CA

Mr Riley has been Company Secretary since 2002. Mr Riley has 25 years experience as a principal in chartered accounting firms managing a varied clientele including numerous small to medium sized listed public companies prior to this appointment in December 2002.

Directors' Report

Principal Activities and Review of Operations

The principal activities of the Company in the course of the financial period were the development of the Solar Tower project for the Australian market. A review of operations is incorporated in the Chief Executive Officers commentary.

Dividends

No dividend has been paid, provided or recommended during the financial year and to the date of this report.

Results

The net loss for the period ended 30 June 2007 was an operating loss of \$1,929,081, (2006: loss of \$1,725,166).

Changes in State of Affairs

Significant changes in the state of affairs of the consolidated entity during the financial year were as follows:

Fully paid ordinary share capital increased during the year as follows:	\$
- Issue of 866,900 ordinary shares for working capital	130,035
- Issue of 1,222,944 ordinary shares for services provided	314,486
- Costs associated with capital raisings	<u>(1,328)</u>
Increase in fully paid share capital	<u>443,193</u>

Review of Operations and Financial Position

Group operations focussed during the financial year on proofing technical enhancements to the Solar Tower concept necessitating the engagement of external expert consultants, contributing to an increase in consulting fees. This process is continuing.

The net loss from ordinary activities for the financial year increased by \$203,915 to \$1,929,081.

Net assets of the group at year end have reduced by \$1,485,888 to \$5,256,794 with the annual amortisation charge for the Solar Tower license accounting for \$507,614 of this reduction. The cash position of the group has improved from the previous year and the net asset position has been strengthened subsequent to year end with the issue of shares to clear borrowings of \$901,840, of which \$626,767 is shown as a interest bearing liabilities at 30 June 2007.

Remuneration Report

Remuneration Policies

The board policy for determining the nature and amount of remuneration of directors and executives is agreed by the board of directors as a whole. The board obtains professional advice where necessary to ensure that the company attracts and retains talented and motivated directors and employees who can enhance company performance through their contributions and leadership.

Executive remuneration

In determining the level and make-up of executive remuneration, the Board negotiates a remuneration to reflect the market salary for a position and individual of comparable responsibility and experience. Due to the limited size of the Company and of its operations and financial affairs, the use of a separate remuneration committee is not considered appropriate. Remuneration is regularly compared with the external market by participation in industry salary surveys and during recruitment activities generally. If

Directors' Report

required, the Board may engage an external consultant to provide independent advice in the form of a written report detailing market levels of remuneration for comparable executive roles.

Remuneration consists of a fixed remuneration as considered appropriate.

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

The company determines the maximum amount of remuneration for directors by resolution. The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst directors is reviewed annually. The Board considers the amount of director fees being paid by comparable companies with similar responsibilities and the experience of the non-executive directors when undertaking the annual review process.

Further details regarding components of directors' and executive remuneration are provided in the notes to the financial statements.

The names and positions of each person who held the position of director at any time during the financial year is provided above. The named executives in the consolidated group who received the highest remuneration for the financial year are:

Executive Remuneration	Position
Ian Riley	Company secretary/Chief financial officer
Kim Forte	Communication Manager

2007 Directors

	Directors' fees	Salary	Options	Fees for Services Provided	Total
	\$	\$	\$	\$	\$
G Parkinson	20,000	-	-	-	20,000
D Galbally QC	20,000	-	-	-	20,000
R Davey#	-	-	-	250,000	250,000
G Ma	20,000	-	-	-	20,000
Y Tang	-	-	-	-	-
	60,000	-	-	250,000	310,000

Fees paid to Canterbury Mint Pty Ltd of which Mr Davey is a director

Executive Officers

	Fees and commissions	Super-annuation	Non-cash benefits	Options	Total
	\$	\$	\$	\$	\$
Ian Riley	130,000	-	-	-	130,000
Kim Forte	96,000	-	-	-	96,000
	226,000	-	-	-	226,000

Directors' Report

2006 Directors

	Directors' fees	Salary	Options	Fees for Services Provided	Total
	\$	\$	\$	\$	\$
M Thomas*	19,100	-	-	-	19,100
G Parkinson	20,000	-	-	-	20,000
D Galbally QC	20,000	-	-	-	20,000
R Davey#	-	-	-	250,000	250,000
G Ma	20,000	-	-	-	20,000
Y Tang	-	-	-	-	-
	79,100	-	-	250,000	329,100

* Resigned 14 June 2006

Fees paid to Canterbury Mint Pty Ltd of which Mr Davey is a director

Executive Officers

	Salary, fees and commissions	Super-annuation	Non-cash benefits	Options	Total
	\$	\$	\$	\$	\$
Ian Riley	150,000	-	-	-	150,000
Kim Forte	96,518	-	-	-	96,518
	246,518	-	-	-	246,518

There are no other executive officers involved in the management of the company other than those listed above.

Meetings of Directors

The directors meetings attended by each of the directors of the Company during the financial year are as follows:

Director	Meetings Eligible to Attend	Meetings Attended
Roger Chalmers Davey	4	4
Geoffrey Max Parkinson	4	4
David Norman Galbally	4	4
Guoxiang Ma	4	-
Yue Tang	4	4

Meetings of Committees

At the date of this report, the Company had an Audit Committee.

Directors' Report

Attendance at Committee meetings by member Directors is as follows:

Director	Audit Committee	
	No. of Meetings	Attended
Geoffrey Max Parkinson	2	2
Roger Chalmers Davey	2	2

Directors' Interests

At the date of this report, the direct or indirect interest of each Director of the Company in the issued securities of the Company was as follows:

Director	Fully Paid Ordinary Shares	Share Options
Geoffrey Max Parkinson	20,000	-
David Norman Galbally QC	-	-
Roger Chalmers Davey	22,275,830	-
Guoxiang Ma	10,714,286	-

Related Party Transactions

Details of other transactions with directors and their director-related entities are set out in a related party transaction note to the financial statements.

Significant Events after Balance Date

Subsequent to 30 June 2007 the Company has issued shares to the value of \$901,840 to clear borrowings at balance date of \$626,767 and additional borrowings subsequent to balance date of \$275,073. With this exception, no matters have arisen since the end of the financial year that have or may significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

Environmental Regulations

The operations of the company are not subject to any particular or significant environmental regulations under a Commonwealth, State or Territory Law at this point.

Likely Developments

Information about likely developments in the operations of the consolidated entity and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the consolidated entity.

Share Options

The Company has not issued any options over issued shares or interests in the Company during or since the end of the financial year.

At the date of this report, the following options are on issue over ordinary shares of EnviroMission Limited:

Option Type	Quantity	Expiry Date	Exercise Price
Unlisted Options	1,025,000	11/02/2008	\$0.20

Directors' Report

Shares Issued on exercise of options

No shares were issued during the year or since the end of the financial year on exercise of options.

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

Auditors Independence Declaration

The lead auditor's independence declaration under section 307C of the Corporations Act 2001, for the year ended 30 June 2007 is provided with this Directors Report.

Non-Audit Services

No non-audit services were provided by the external auditor during the year ended 30 June 2007.

Indemnification and Insurance of Directors and Officers

The Company, to the extent permitted by law, indemnifies each director or executive officer against any liability or cost incurred by the person as an officer of the Company including but not limited to negligence or costs incurred in defending proceedings in which judgement is given in favour of the person or in which the person is acquitted.

Proceeding on behalf of the 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 party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

Signed in accordance with a resolution of the Board of Directors:



R C Davey
Executive Chairman/Director
Melbourne, 28 September, 2007

**AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 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 2007 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

MSI RaggWeir

MSI RAGG WEIR
Chartered Accountants

L.S. Wong

L.S. WONG
Partner

Melbourne:

28 September 2007

Directors' Declaration

In accordance with a resolution of the Directors of EnviroMission Limited, I state that:

In the opinion of the Directors:

1. the financial statements and notes of the Company and of the consolidated entity are in accordance with the Corporations Act 2001, including:
 - (a) giving a true and fair view of the Company's and the consolidated entity's financial position as at 30 June 2007 and of their performance for the year ended on that date; and
 - (b) complying with Accounting Standards and Corporations Regulations 2001; and
2. there are reasonable grounds to believe the Company will be able to pay its debts as and when they become due and payable.

The Executive Director and Chief Financial Officer have each declared that:

- (a) the financial records of the company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;
- (b) the financial statements and notes for the financial year comply with the Accounting Standards; and
- (c) the financial statements and notes for the financial year give a true and fair view.

On behalf of the Board



R C Davey
Executive Chairman/Director
Melbourne, 28 September, 2007

Consolidated Income Statement

For the Year Ended 30 June 2007

	Note	Consolidated		Company	
		2007	2006	2007	2006
		\$	\$	\$	\$
Revenue	2	15,990	379,609	15,990	379,609
Impairment write-downs	3	-	-	(507,614)	(507,614)
Depreciation and amortisation	3	(524,219)	(535,173)	(16,605)	(27,559)
Employee expenses		(7,478)	(13,252)	(7,478)	(13,252)
Occupancy expenses		(63,837)	(59,242)	(63,837)	(59,242)
Business expenses		(214,397)	(202,723)	(214,397)	(202,723)
Travel expenses		(34,187)	(29,853)	(34,187)	(29,853)
Contracting/consulting expenses		(971,481)	(1,114,734)	(971,481)	(1,114,734)
Borrowing costs		(28,602)	(12,132)	(28,602)	(12,132)
Other expenses		(100,870)	(137,666)	(100,870)	(137,666)
Loss before income tax expense		(1,929,081)	(1,725,166)	(1,929,081)	(1,725,166)
Income tax expense	4	-	-	-	-
Loss for the year		<u>(1,929,081)</u>	<u>(1,725,166)</u>	<u>(1,929,081)</u>	<u>(1,725,166)</u>
Basic earnings per share (cents)	19	(2.2)	(2.1)		
Diluted earnings per share (cents)	19	(2.2)	(2.1)		

The accompanying notes form part of these financial statements.

Consolidated Balance Sheet

As at 30 June 2007

	Note	Consolidated		Company	
		2007	2006	2007	2006
		\$	\$	\$	\$
CURRENT ASSETS					
Cash assets	22	31,557	208	31,557	208
Receivables	5	248,570	276,524	248,570	276,524
Other	6	6,050	6,050	6,050	6,050
TOTAL CURRENT ASSETS		286,177	282,782	286,177	282,782
NON-CURRENT ASSETS					
Receivables	5	-	-	-	-
Other financial assets	7	-	-	6,641,289	7,148,903
Property, plant and equipment	8	13,742	29,256	13,742	29,256
Other	9	68,679	53,846	68,679	53,846
Intangibles	10	6,641,289	7,148,903	-	-
TOTAL NON-CURRENT ASSETS		6,723,710	7,232,005	6,723,710	7,232,005
TOTAL ASSETS		7,009,887	7,514,787	7,009,887	7,514,787
CURRENT LIABILITIES					
Payables	11	943,847	577,930	943,947	578,030
Interest bearing liabilities	12	809,246	194,175	809,246	194,175
Provisions	13	-	-	-	-
TOTAL CURRENT LIABILITIES		1,753,093	772,105	1,753,193	772,205
TOTAL LIABILITIES		1,753,093	772,105	1,753,193	772,205
NET ASSETS		5,256,794	6,742,682	5,256,694	6,742,582
EQUITY					
Contributed equity	14	18,944,835	18,501,642	18,944,835	18,501,642
Accumulated losses		(13,688,041)	(11,758,960)	(13,688,141)	(11,759,060)
TOTAL EQUITY		5,256,794	6,742,682	5,256,694	6,742,582

The accompanying notes form part of these financial statements.

Consolidated Statement of Cash Flows

For the Year Ended 30 June 2007

	Note	Consolidated		Company	
		2007 \$	2006 \$	2007 \$	2006 \$
Cash Flows from Operating Activities					
Receipts from customers		-	-	-	-
Research and development refund		-	154,026	-	154,026
Interest received		318	3,597	318	3,597
Payments to customers/operating costs		(708,519)	(984,534)	(708,519)	(984,534)
Net Cash used in Operating Activities	22	(708,201)	(826,911)	(708,201)	(826,911)
Cash Flows from Investing Activities					
Purchase of fixed assets		(1,091)	(10,567)	(1,091)	(10,567)
Payment for property option		(14,833)	(6,348)	(14,833)	(6,348)
Payment for property bond		-	-	-	-
Refund of property bond		-	-	-	-
Net Cash used in Investing Activities		(15,924)	(16,915)	(15,924)	(16,915)
Cash Flows from Financing Activities					
Proceeds from share issues-net		128,707	543,359	128,707	543,359
Proceeds from borrowings		626,767	193,950	626,767	193,950
Repayments of borrowings		-	(1,905)	-	(1,905)
Net Cash provided by Financing Activities		755,474	735,404	755,474	735,404
Net (Decrease) in Cash Held		31,349	(108,422)	31,349	(108,422)
Cash at beginning of financial year		208	108,630	208	108,630
Cash at end of financial year	22	31,557	208	31,557	208

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity

For the Year Ended 30 June 2007

	Note	Consolidated		Company	
		2007	2006	2007	2006
		\$	\$	\$	\$
Total Equity at the beginning of the Year		6,742,682	7,792,090	6,742,582	7,791,990
Profit/(loss) for the year		(1,929,081)	(1,725,166)	(1,929,081)	(1,725,166)
Total recognised income and expense for the year		(1,929,081)	(1,725,166)	(1,929,081)	(1,725,166)
Transactions with Equity Holders in their capacity as Equity Holders:					
Contributions net of costs		443,193	675,758	443,193	675,758
		443,193	675,758	443,193	675,758
Total Equity at the end of the Year		5,256,794	6,742,682	5,256,694	6,742,582

The above statement of changes in equity is to be read in conjunction with the attached notes.

Notes to the Financial Statements

For the Year Ended 30 June 2007

1. BASIS OF PREPARATION

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

The financial report covers EnviroMission Limited as an individual entity and EnviroMission Limited and its controlled entities as a consolidated entity. EnviroMission Limited is a listed public company, incorporated and domiciled in Australia.

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

(a) Basis of Preparation of the financial report

The financial report of EnviroMission Limited and controlled entities, and EnviroMission Limited as an individual parent entity comply with Australian equivalents to International Financial Reporting Standards (AIFRS).

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

(b) Going Concern

The financial statements have been prepared on a going concern basis. Subsequent to 30 June 2007 the company has received loan funds of a further \$275,073 and issued shares in the amount of \$901,840 to repay loans, \$626,767 included in current borrowing as at 30 June 2007. In addition loan funds of \$100,000 plus interest have been repaid since 30 June 2007. The Company's present activities will be funded by existing working capital and funds raised since 30 June. Short term needs, over and above existing resources, will be met by placement and new share issues as and when required and by accessing the equity line credit facility of \$20,000,000 which is available to the Company until December 2008. The Company plans to fund the Solar Tower project through the development of commercial relationships with suppliers, contractors and other strategic alliances.

(c) Principles of Consolidation

The consolidated financial statements are those of the consolidated entity, comprising EnviroMission Limited (the parent entity) and of all entities which EnviroMission Limited controlled from time to time during the year and at balance date. Details of controlled entities are contained in notes to the accounts.

The financial statements of controlled entities are prepared for the same reporting period as the parent entity, using consistent accounting policies.

All inter-company balances and transactions, and unrealised profits or losses have been eliminated on consolidation.

Notes to the Financial Statements

For the Year Ended 30 June 2007

(d) Revenue

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

Research & development tax offset refund is recognised as income in the same period as the associated expenses are incurred.

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

(e) Cash and cash equivalents

Cash and cash equivalents include cash on hand and at banks, deposits held at call with financial institutions and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheet.

(f) Property, plant and equipment

Property, plant and equipment are measured at cost.

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

Depreciation

The depreciable amounts of all other fixed assets are depreciated on a straight-line basis over their estimated useful lives commencing from the time the asset is held ready for use. The useful lives for each class of assets are:

	2007	2006
Plant and equipment:	3 to 5 years	3 to 5 years

(g) 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.

Finance Leases

Leases of fixed assets, where substantially all of the risks and benefits incidental to ownership of the asset, but not the legal ownership, are transferred to entities within the consolidated entity are classified as finance leases. Finance leases are capitalised, recording at the inception of the lease an asset and liability equal to the present value of the minimum lease payments, and disclosed as plant and equipment under lease.

Leased assets are depreciated over the shorter of the estimated useful life of the assets and the lease term. Lease payments are allocated between interest expense and reduction of the lease liability. The interest expense is calculated using the interest rate implicit in the lease and is included in finance costs in the Income Statement.

Operating Leases

Lease payments for operating leases, where substantially all of the risks and benefits remain with the lessor, are charged as expenses in the period in which they are incurred.

Notes to the Financial Statements

For the Year Ended 30 June 2007

(h) Intangibles

License Rights

Solar Tower project license rights are valued in the accounts at cost of acquisition less accumulated amortisation and any impairment losses and are amortised over the period in which their benefit is expected to be realised, being 20 years.

EnviroMission and its controlled entity have an exclusive Sub-License to build, own, operate and maintain one or more Solar Tower Power Stations within Australia. This Sub-License expires if by 31 December 2006 an executed contract for the construction of at least one plant of a minimum total installed capacity of ten megawatts has not been agreed to.

The value of the license rights is dependent on the ability of the Company to generate income from the asset. No income has been earned from this asset to 30 June 2007 and at this time it is not possible to accurately determine the extent of future income.

During the year ended 30 June 2007 the directors believe the Company has made significant advances in developing the intellectual property associated with the license rights and the directors have concluded that the carrying value of the license rights does not exceed the net amounts that are expected to ultimately be recovered through the cash inflows and outflows from use or arising from disposal.

Research and Development

Expenditure on research activities is recognised as an expense when incurred. Expenditure on development activities is capitalised only when it is expected beyond reasonable doubt that future benefits will exceed the deferred costs. Capitalised development expenditure is stated at cost less accumulated amortisation. Amortisation is calculated using a straight-line method to allocate the cost over a period (not exceeding three years), during which the related benefits are expected to be realised, once commercial production is commenced. Other development expenditure is recognised as an expense when incurred.

(i) Impairment of assets

Assets with an indefinite useful life are not amortised but are tested annually for impairment in accordance with AASB 136. Assets subject to annual depreciation or amortisation are reviewed for impairment whenever events or circumstances arise that indicate that the carrying amount of the asset may be impaired. An impairment loss is recognised where the carrying amount of the asset exceeds its recoverable amount. The recoverable amount of an asset is defined as the higher of its fair value less costs to sell and value in use.

(j) Taxes

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

A balance sheet approach is adopted under which deferred tax assets and liabilities are recognised for temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred tax asset or liability is recognised in relation to temporary differences arising from the initial recognition of an asset or a liability if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Notes to the Financial Statements

For the Year Ended 30 June 2007

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

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

(k) Financial Instruments

Classification

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

Financial assets at fair value through profit or loss

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

Loans and Receivables

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

Financial Liabilities

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

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

(m) Foreign Currencies

Transactions and Balances

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

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

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

Notes to the Financial Statements

For the Year Ended 30 June 2007

	Consolidated		Company	
	2007	2006	2007	2006
	\$	\$	\$	\$
2. REVENUE FROM CONTINUING OPERATIONS				
Revenue from non operating activities:				
Interest - Other corporations	2,139	3,597	2,139	3,597
Research & Development refund	-	376,012	-	376,012
Sundry income	2,155	-	2,155	-
Exchange gain	11,696	-	11,696	-
Total revenue from ordinary activities	15,990	379,609	15,990	379,609
3. LOSS FROM CONTINUING OPERATIONS				
Loss from continuing operations has been arrived at after the following specific items:				
Depreciation of plant & equipment	16,605	27,559	16,605	27,559
Amortisation of Solar Tower license	507,614	507,614	-	-
	524,219	535,173	16,605	27,559
Impairment write-down, Non-current receivable	-	-	-	-
Impairment write-down, Non-current other financial asset	-	-	507,614	507,614
	-	-	507,614	507,614
Operating lease rental expense	55,356	52,156	55,356	52,156
4. INCOME TAX				
Prima facie tax, using rates applicable in the country of operation, on loss differs from the income tax provided in the financial statements as follows:				
Loss before income tax	(1,929,081)	(1,725,166)	(1,929,081)	(1,725,166)
At the statutory rate of 30% (2006 30%)	(578,724)	(517,550)	(578,724)	(517,550)
Tax effect of amounts which are not deductible in calculating taxable income				
Depreciation, amortisation and other non allowable items	(11,168)	(257,351)	110,659	16,750
Unrecognised tax losses	589,892	774,901	468,065	500,800
Income tax expense	-	-	-	-

Notes to the Financial Statements

For the Year Ended 30 June 2007

	Consolidated		Company	
	2007	2006	2007	2006
	\$	\$	\$	\$
4. INCOME TAX continued				
The estimate of unrecognised tax losses arising from unconfirmed tax losses not been brought to account at balance date. Losses for 2006 have been adjusted for income tax returns lodged.	3,625,185	3,035,293	2,656,938	2,188,873
The benefit of these losses will only be realised if:				
(a) future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised;				
(b) the conditions for deductibility imposed by tax legislation continue to be complied with; and				
(c) no changes in tax legislation adversely affect the economic entity in realising the benefit.				
5. RECEIVABLES				
CURRENT				
Other receivables	224,124	227,289	224,124	227,289
Input tax credits	17,603	42,392	17,603	42,392
Receivable from SolarMission Technologies, Inc (director related)	6,843	6,843	6,843	6,843
	248,570	276,524	248,570	276,524
NON CURRENT				
Loan to controlled entity	-	-	398,874	398,874
Impairment write-down	-	-	(398,874)	(398,874)
	-	-	-	-
6. OTHER CURRENT ASSETS				
Prepaid expenses	-	-	-	-
Rental bond	6,050	6,050	6,050	6,050
	6,050	6,050	6,050	6,050
7. OTHER FINANCIAL ASSETS				
Unlisted shares in controlled entities at cost (note 15)	-	-	10,180,889	10,180,889
Impairment write-down	-	-	(3,539,600)	(3,031,986)
	-	-	6,641,289	7,148,903

Notes to the Financial Statements
For the Year Ended 30 June 2007

	Consolidated		Company	
	2007	2006	2007	2006
	\$	\$	\$	\$
8. PROPERTY, PLANT & EQUIPMENT				
Plant and equipment, at cost	140,119	139,029	140,119	139,029
Accumulated depreciation	(126,377)	(109,773)	(126,377)	(109,773)
	<u>13,742</u>	<u>29,256</u>	<u>13,742</u>	<u>29,256</u>
Reconciliation of the carrying amount of each class of property, plant & equipment at the beginning and the end of the financial year are set out below:				
Furniture and equipment				
Carrying amount at 1 July	29,256	46,248	29,256	46,248
Additions	1,091	10,567	1,091	10,567
Disposals	-	-	-	-
Depreciation	(16,605)	(27,559)	(16,605)	(27,559)
Carrying amount at 30 June	<u>13,742</u>	<u>29,256</u>	<u>13,742</u>	<u>29,256</u>
9. OTHER NON CURRENT ASSETS				
Option fee and costs, Buronga land	68,679	53,846	68,679	53,846
	<u>68,679</u>	<u>53,846</u>	<u>68,679</u>	<u>53,846</u>
10. INTANGIBLES				
Solar Tower Licence, at cost	10,152,284	10,152,284	-	-
Accumulated amortisation	(3,510,995)	(3,003,381)	-	-
	<u>6,641,289</u>	<u>7,148,903</u>	<u>-</u>	<u>-</u>
11. PAYABLES - CURRENT				
Trade payables	717,925	488,661	717,925	488,661
Sundry payables and accruals	225,922	89,269	226,022	89,369
	<u>943,847</u>	<u>577,930</u>	<u>943,947</u>	<u>578,030</u>
12. INTEREST BEARING LIABILITIES - CURRENT				
Borrowings	809,246	194,175	809,246	194,175

Notes to the Financial Statements For the Year Ended 30 June 2007

	Consolidated		Company	
	2007	2006	2007	2006
	\$	\$	\$	\$
12. INTEREST BEARING LIABILITIES				
– CURRENT (continued)				
Unsecured				
Loan, related party	100,000	100,000	100,000	100,000
Loan, SolarMission Technologies Inc. (director related)	626,767	-	626,767	-
Foreign currency loan	82,479	94,175	82,479	94,175
	<u>809,246</u>	<u>194,175</u>	<u>809,246</u>	<u>194,175</u>

Borrowings are interest bearing and repayable within twelve months. Foreign currency loan, US\$ 70,000 is repayable in US dollars.

Loan of \$100,000 was repaid subsequent to year end and shares were issued subsequent to the year end in full repayment of amounts due to Solarmission Technologies, Inc, \$626,767.

13. PROVISIONS

Employee entitlements	-	-	-	-
-----------------------	---	---	---	---

The Company had no employees at 30 June 2007 (2006: nil)

14. CONTRIBUTED EQUITY

(a) Issued and paid up capital	<u>18,944,835</u>	<u>18,501,642</u>	<u>18,944,835</u>	<u>18,501,642</u>
--------------------------------	-------------------	-------------------	-------------------	-------------------

	2007		2006	
	Number of Shares	\$	Number of Shares	\$
(b) Movements in issued capital				
Beginning of financial year	85,137,093	18,501,642	76,797,184	17,825,884
Issued during the year:				
Share allotment at 20 cents each pursuant to Share Plan	-	-	987,500	197,500
Share allotment at 0.001 cents each ordinary share pursuant to \$20 million borrowing facility	-	-	4,900,000	49
Share allotment at 15 cents each ordinary share for working capital	866,900	130,035	-	-
Share allotment at 30 cents each ordinary share for services provided	175,000	52,500	441,166	132,350
Share allotment at 25 cents each ordinary share for services provided	1,047,944	261,986	-	-
Option exercise at 0.1 cents	-	-	141,243	141
Option exercise at 20 cents	-	-	1,870,000	374,000
Costs associated with capital raising		(1,328)		(28,282)
End of the financial year	<u>87,226,937</u>	<u>18,944,835</u>	<u>85,137,093</u>	<u>18,501,642</u>

Notes to the Financial Statements

For the Year Ended 30 June 2007

(c) Movements in options

	2007		2006	
	Number of Options	Weighted average exercise price \$	Number of Options	Weighted average exercise price \$
Balance at beginning of year	1,025,000	0.20	15,420,989	0.060
- granted	-	-	-	-
- forfeited/lapsed	-	-	(12,384,746)	0.011
- exercised	-	-	(2,011,243)	0.186
Balance at end of year	<u>1,025,000</u>	<u>0.20</u>	<u>1,025,000</u>	<u>0.20</u>

No options have been granted or exercised since the end of the financial year.

(d) Terms and conditions of contributed equity

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held.

At 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.

(e) Terms and conditions of options

Option holders do not have the right to receive dividends and are not entitled to vote at a meeting of the Company. Options may be exercised at any time from their vesting date to the date of their expiry. Share options convert to equity on a one for one basis on the day they are exercised.

15. DETAILS OF CONTROLLED ENTITIES AND THE COMPANY

	Book value of Investment		Interest held by the Economic Entity	
	2007 \$	2006 \$	2007 %	2006 %
Controlled Entities:				
SolarMission Limited	6,641,189	7,148,803	100	100
Pure Solar Power (IP) Pty Ltd	100	100	100	100
	<u>6,641,289</u>	<u>7,148,903</u>		

Controlled entities are incorporated in Australia and audited by MSI Ragg Weir.

Notes to the Financial Statements

For the Year Ended 30 June 2007

16. SEGMENT INFORMATION

The company operates in one industry and one geographic area only.

17. DIRECTOR AND EXECUTIVE DISCLOSURES

(a) Details of Key Management Personnel

- (i) Specified Directors
 - R Davey – Executive Chairman
 - G Parkinson – Non Executive Director
 - D Galbally – Non Executive Director
 - G Ma – Non Executive Director
 - Y Tang – Alternate Director
- (ii) Specified Executives
 - I Riley – Chief Financial Officer and Company Secretary
 - K Forte – Communications Officer

(b) Remuneration of Key Management Personnel

Remuneration Policy

The board policy for determining the nature and amount of remuneration of directors and executives is agreed by the board of directors as a whole. The board obtains professional advice where necessary to ensure that the company attracts and retains talented and motivated directors and employees who can enhance company performance through their contributions and leadership.

Executive remuneration

In determining the level and make-up of executive remuneration, the Board negotiates a remuneration to reflect the market salary for a position and individual of comparable responsibility and experience. Due to the limited size of the Company and of its operations and financial affairs, the use of a separate remuneration committee is not considered appropriate. Remuneration is regularly compared with the external market by participation in industry salary surveys and during recruitment activities generally. If required, the Board may engage an external consultant to provide independent advice in the form of a written report detailing market levels of remuneration for comparable executive roles. Remuneration consists of a fixed remuneration as considered appropriate.

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

Remuneration of specified Key Management Personnel

Specified Directors:

		Directors' fees	Salary	Options	Fees for Services Provided	Total
		\$	\$	\$	\$	\$
M Thomas#	2006	19,100	-	-	-	19,100
G Parkinson	2006	20,000	-	-	-	20,000
	2007	20,000	-	-	-	20,000
R Davey	2006	-	-	-	250,000	250,000
	2007	-	-	-	250,000	250,000
D Galbally	2006	20,000	-	-	-	20,000
	2007	20,000	-	-	-	20,000
G Ma	2006	20,000	-	-	-	20,000
	2007	20,000	-	-	-	20,000
Y Tang	2006	-	-	-	-	-
	2007	-	-	-	-	-
Total Remuneration	2006	79,100	-	-	250,000	329,100
	2007	60,000	-	-	250,000	310,000

Resigned 14 June 2006

Notes to the Financial Statements

For the Year Ended 30 June 2007

Specified Executives:

		Salary	Super- annuation	Options	Fees for Services Provided	Total
		\$	\$	\$	\$	\$
I Riley	2006				150,000	150,000
	2007	-	-	-	130,000	130,000
K Forte	2006	-	-	-	96,518	96,518
	2007	-	-	-	96,000	96,000
Total Remuneration	2006	-	-	-	246,518	246,518
	2007	-	-	-	226,000	226,000

(c) Shareholdings of Specified Directors and Specified Executives

	Balance 1 July 2006	Granted as Remuneration	Exercise of Options	Net Change Other	Balance 30 June 2007
Specified Directors					
G Parkinson	20,000	-	-	-	20,000
R Davey	5,326,679	-	-	-	5,326,679
D Galbally	-	-	-	-	-
G Ma	10,714,286	-	-	-	10,714,286
Y Tang	-	-	-	-	-
	16,060,965	-	-	-	16,060,965
Specified Executives					
I Riley	500,000	-	-	-	500,000
K Forte	155,000	-	-	-	155,000

(d) Option holdings of Specified Directors and Executives

No Specified Director or Executive held options at 30 June 2007 and there were no transactions during the financial year.

Directors and their director-related entities were entitled to receive any normal dividends on these ordinary shares.

Notes to the Financial Statements
For the Year Ended 30 June 2007

	Consolidated		Company	
	2007	2006	2007	2006
	\$	\$	\$	\$
18. AUDITORS' REMUNERATION				
Amounts received or due and Receivable by MSI Ragg Weir for:				
- an audit or review of the financial report of the entity and any other entity in the consolidated entity	17,500	17,500	17,500	17,500
- other services in relation to the entity and any other entity in the consolidated entity	-	-	-	-
	<u>17,500</u>	<u>17,500</u>	<u>17,500</u>	<u>17,500</u>

	Consolidated	
	2007	2006

19. EARNINGS PER SHARE

Basic earnings / (loss) per share (cents)	(2.2)	(2.1)
Diluted earnings / (loss) per share (cents)	(2.2)	(2.1)
Weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share.	<u>86,256,470</u>	<u>81,942,776</u>
Earnings / (loss) used in calculating basic and diluted earnings per share calculation	(1,929,081)	(1,725,166)

Potential ordinary shares not considered dilutive

As at 30 June 2007 the company had options on issue over unissued capital (see Note 14 (c)). As the notional exercisable price of these options would increase basic earnings per share, they have not been considered dilutive.

Ordinary shares issued after balance date are detailed in Note 21.

Notes to the Financial Statements For the Year Ended 30 June 2007

20. RELATED PARTY TRANSACTIONS

- (a) The directors of EnviroMission Limited during the financial year were:

R C Davey
G M Parkinson
D N Galbally
G Ma
Y Tang (alternate director for G Ma)

- (b) Details of specified directors' and specified executives remuneration and retirement benefits are set out in Note 17.

Related party receivables are set out in Note 5.

Related party payables included in Note 11, trade payables and accruals:

R C Davey	243,352
G M Parkinson	45,000
D N Galbally	42,500
G Ma	60,000
I Riley	72,700

Unsecured loan provided by spouse of director R Davey, \$100,000 for a period less than one year at an interest rate of 20% per annum. Loan was repaid subsequent to the end of the year.

SolarMission Technologies, Inc is a related party of director Mr Roger Davey, a director/shareholder of that company.

Information relating to controlled entities is set out in Note 15. There were no transactions between the company and controlled entities during the year.

- (c) Details of specified directors and specified executives equity holdings are set out in Note 17

21. EVENTS SUBSEQUENT TO REPORTING DATE

Subsequent to 30 June 2007 the Company has issued shares to the value of \$901,840 to clear borrowings at balance date of \$626,767 and additional borrowings subsequent to balance date of \$275,073. With this exception, there have been no events subsequent to 30 June to have a material effect on the company.

Notes to the Financial Statements

For the Year Ended 30 June 2007

22. NOTE TO STATEMENTS OF CASH FLOWS

	Consolidated		Company	
	2007 \$	2006 \$	2007 \$	2006 \$
For the purposes of this statement of cash flows, cash includes cash on hand and in 'at call' deposits with banks, net of bank overdrafts. Cash at the end of the year is shown in the statement of financial position as:				
Cash assets	31,557	208	31,557	208
(a) Reconciliation of net cash provided by operating activities to operating loss after income tax.				
Operating (loss) after income tax	(1,929,081)	(1,725,166)	(1,929,081)	(1,725,166)
Non cash flows in operating loss:				
Foreign exchange gain	(11,696)	-	(11,696)	-
Depreciation/amortisation expense	524,219	535,173	16,605	27,559
Impairment write-down	-	-	507,614	507,614
Equity issued for services provided	314,486	132,399	314,486	132,399
Changes in assets and liabilities:				
Increase/(decrease) in payables	365,917	472,435	365,917	472,435
Increase/(decrease) in provisions	-	-	-	-
Decrease/(increase) in receivables and prepayments	27,954	(241,752)	27,954	(241,752)
Net Cash Outflow from Operating Activities	(708,201)	(826,911)	(708,201)	(826,911)
b) Non-cash financing and investing activities				
Nil				

Notes to the Financial Statements

For the Year Ended 30 June 2007

23. FINANCIAL INSTRUMENTS

(a) Interest Risk

The economic entity's exposure to interest rate risks and the effective interest rates of financial assets and financial liabilities, at balance date, are as follows:

	Interest Bearing		Non Interest Bearing		Total Carrying Value as per Statement of Financial Position		Weighted Average Effective Interest Rate	
	2007 \$	2006 \$	2007 \$	2006 \$	2007 \$	2006 \$	2007 %	2006 %
Financial Assets								
Cash	31,557	208	-	-	31,557	208	1.0	1.0
Receivables	-	-	248,570	276,524	248,570	276,524		
Other	6,050	6,050	-	-	6,050	6,050	1.4	1.4
Total Financial Assets	37,607	6,258	248,570	276,524	286,177	282,782		
Financial Liabilities								
Payables	-	-	943,847	577,930	943,847	577,930	-	-
Borrowings	809,246	194,175	-	-	809,246	194,175	12.0	12.0
Total Financial Liabilities	809,246	194,175	943,847	577,930	1,753,093	772,105		

(b) Net Fair Values

The aggregate net fair values of financial assets and liabilities are the same as the carrying amounts.

(c) Credit Risk

The maximum credit risk exposure is represented by the carrying amounts of assets. There is no significant credit risk exposure.

24. LEASE COMMITMENTS

	Consolidated		Company	
	2006 \$	2006 \$	2006 \$	2006 \$
Operating Lease – Office premises				
Non-cancellable operating leases contracted for but not capitalised in the financial statements				
Payable:				
- not later than 1 year	55,781	53,019	55,781	53,019
- later than 1 year but not later than 5 years	11,714	67,384	11,714	67,384
	67,495	120,403	67,495	120,403

The operating lease is for a 3 year term with an option to renew for an additional 2 years.

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

We have audited the accompanying financial report of Enviromission Limited (the company) and Enviromission Limited and controlled entities (the consolidated entity), which comprises the balance sheet as at 30 June 2007, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes 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.

As permitted by the Corporations Regulations 2001, the company has disclosed information about the remuneration of directors and executives (remuneration disclosures) required by Accounting Standard AASB 124: Related Party Disclosures under the heading Remuneration Report of the Directors' Report and not in the finance report.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1 the directors also state that the financial report, comprising the consolidated financial statement and notes, complies with Australian Accounting Standards and International Financial Reporting Standards. The directors are also responsible for the remuneration disclosures contained in the directors' report.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement and that the remuneration disclosures comply with Accounting Standard AASB 124: Related Party Disclosures.

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 company'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 company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

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

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

Basis for Qualified Auditor's Opinion

As disclosed in Note 1(h) to the financial statements, EnviroMission and its controlled entity have an exclusive Sub-License to build, own, operate and maintain one or more Solar Tower Power Stations within Australia. This Sub-License expires if by 31 December 2006 an executed contract for the construction of at least one plant of a minimum total installed capacity of ten megawatts has not been agreed to. At 30 June 2007, the license has a carrying value of \$6,641,289.

No contract for the construction of such a plant has been executed at the date of this report which means that the Sub-License has effectively expired. Solar Mission Technologies Inc as the holder of the Head-License is in the process of negotiations with Schlaich Bergermann the owner of the license for the purpose of achieving agreement on the specific provisions to be included in the new agreement. Subsequent to the finalisation of such negotiations it is expected that Solar Mission Technologies Inc and EnviroMission Limited will then enter negotiations as to the specific provisions of the sub-license.

In our opinion, such details are fundamental to a proper appreciation of the carrying value of the Sub-license and its effect on the the company's financial position and the results of its operations. Details of the negotiations and specific terms and provisions of the license between Solar Mission Technologies Inc and Schlaich Bergermann are commercial in confidence and will not be made available to EnviroMission Limited until finalisation. We are therefore unable to apply the necessary auditing procedures we require to form an opinion on the carrying value of the license and its effect on the financial report.

Qualified Auditor's opinion

In our opinion because of the existence of the limitation on the scope of our work as described in the qualification paragraph, and the effects of such adjustment, if any as might have been determined to be necessary had the limitation not existed, we are unable to and do not express an opinion as to whether the financial report of EnviroMission Limited and controlled entities:

- (a) is in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2007 and of their performance for the year ended on that date;
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;
- (b) complies with International Financial Reporting Standards as disclosed in Note 1.

In our opinion, the remuneration disclosures contained in the directors' report comply with Accounting Standard AASB 124: Related Party Disclosures.

Inherent Uncertainty regarding continuation as a Going Concern

As disclosed in Note 1(b), the financial statements have been prepared on a going concern basis. The ability of the Company to continue as a going concern is dependent upon it continuing to secure sufficient funding from capital raisings by placement and new share issues for it to fund its ongoing activities. If the above capital raisings are not sufficient and the company is unable to continue as a going concern, it may be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts that may be different to those stated in the financial statements.



MSI RAGG WEIR
Chartered Accountants



L.S. WONG
Partner

Melbourne 28 September 2007

Shareholder Information as at 24 September 2007

DISTRIBUTION OF ORDINARY SHARES

Number of members by size of holding and the total number of ordinary shares on issue:

Ordinary Shares	Number of Holders	Number of Shares
1 – 1,000	22	12,653
1,001 – 5,000	407	1,383,495
5,001 – 10,000	345	2,999,119
10,001 – 100,000	530	16,459,974
100,001 and over	87	73,124,811
Total Shares on Issue	1,391	93,980,052

The number of shareholders holding less than a marketable parcel is 263.

SUBSTANTIAL SHAREHOLDERS

Name of Substantial Shareholder	Interest in Number of Shares <i>Beneficial & Non Beneficial</i>
SolarMission Technologies, Inc	16,949,151
Sunshine Energy (Aust.) Pty. Ltd.	10,714,286
David Gelbaum & Monica Chavez Gelbaum	9,304,483

There is no current on market buy- back.

VOTING RIGHTS

At meetings of members:

- (a) each member entitled to vote may vote in person or by proxy, attorney or representative;
- (b) on a show of hands, every person present who is a member or a proxy, attorney or representative of a member has one vote; and
- (c) on a poll, every person present who is a member or a proxy, attorney or representative, one vote for the share;
 - (i) for each fully paid share held by him, or in respect of which he is appointed a proxy, attorney or representative, one vote for the share;
 - (ii) for each partly paid share, only the fraction of one vote which the amount paid (not credited) on the share bears to the total amounts paid and payable on the share (excluding amounts credited),

subject to any rights or restriction attached to any shares or class or classes of shares.

Shareholder Information as at 24 September 2007

TOP 20 SHAREHOLDERS AT 24 September 2007

Holder	Ordinary Shares	% of total issued
ANZ Nominees Limited (Cash Income A/c)	18,392,062	19.59
Sunshine Energy (Aust) Pty Ltd	10,714,286	11.41
Citicorp Nominees Pty Ltd	5,256,568	5.60
UBS Wealth Management Australia Nominees Pty Ltd	2,836,851	3.02
Canterbury Mint Pty Ltd	2,713,273	2.89
Canterbury Mint Pty Ltd (Canterbury Mint S/Fund A/c)	2,613,406	2.78
SolarMission Technologies Inc	2,474,084	2.63
Leap International Pty Ltd	2,200,333	2.34
Mr Reginald Neil Walford	1,510,000	1.61
Andelou Pty Ltd	1,500,000	1.60
Merrill Lynch (Australia) Nominees Pty Ltd	1,399,563	1.49
J Donald Porter & Company Inc	1,047,944	1.12
Mr Paul Temple (Paul Temple Revocable A/c)	1,034,341	1.10
Mr Heinz-Joachim Muller & Ms Elisabeth Maria Muller-Loth (Joli Super A/c)	1,000,000	1.06
Mr John Tentomas & Mrs Vicky Tentomas (The Joviten Fund A/c)	800,000	0.85
Australian Investment Syndicate Pty Ltd	750,000	0.80
National Nominees Pty Ltd	689,749	0.73
Corless Superannuation Management Pty Ltd	558,000	0.59
Mrs Heather Blanch	541,243	0.58
Mr William Carlin & Ms Heather Robinson	530,179	0.56

As at 24 September 2007, the 20 largest shareholders held 58,561,882 ordinary shares representing 62.31% of the issued share capital.