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GREENMAN TECHNOLOGIES INC
Form 10QSB
February 19, 2008

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-QSB

Quarterly Report Under Section 13 or 15(d) of the
Securities Exchange Act of 1934

For the Quarter Ended December 31, 2007

Commission File Number: 1-13776

GREENMAN TECHNOLOGIES, INC.
(Exact name of small business issuer as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

71-0724248
(IRS Employer Identification No.)

12498 Wyoming Avenue South
Savage, Minnesota, 55378
(Address of principal executive offices, including zip code)

(781) 224-2411
(Issuer's telephone number, including area code)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES NO

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act):

YES NO

There were 30,880,435 shares outstanding of the issuer's Common Stock, \$0.01 par value, at February 15, 2008.

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GreenMan Technologies, Inc.
Form 10-QSB
Quarterly Report
December 31, 2007

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* The financial information at September 30, 2007 has been taken from audited financial statements at that date and should be read in conjunction therewith. All other financial statements are unaudited.

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GreenMan Technologies, Inc. Consolidated Balance Sheets (Unaudited)

	December 31, 2007

ASSETS	
Current assets:	
Cash and cash equivalents	\$ 421,807
Accounts receivable, trade, less allowance for doubtful accounts of \$288,004 and \$268,867 as of December 31, 2007 and September 30, 2007	2,256,775
Product inventory	1,000,570
Other current assets	1,336,561
Total current assets	5,015,713
Property, plant and equipment, net	6,296,326

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Other assets:	
Customer relationship intangibles, net	70,747
Goodwill	2,289,939
Value of long term contracts, net	688,688
Patents, net	124,583
Other	737,385
<hr/>	
Total other assets	3,911,342
<hr/>	
	\$ 15,223,381
<hr/>	

LIABILITIES AND STOCKHOLDERS' DEFICIT

Current liabilities:	
Notes payable, current	\$ 2,245,425
Notes payable, line of credit	1,002,943
Accounts payable	2,002,424
Accrued expenses, other	1,791,922
Obligations under capital leases, current	260,473
Obligations due under lease settlement, current	68,518
Deferred gain on sale leaseback transaction, current	36,445
Liabilities related to discontinued operations	2,975,472
<hr/>	
Total current liabilities	10,383,622
Notes payable, non-current portion	10,142,712
Notes payable, related parties, non-current portion	534,320
Obligations under capital leases, non-current portion	1,391,194
Deferred gain on sale leaseback transaction, non-current portion	261,152
Obligations due under lease settlement, non-current portion	580,540
<hr/>	
Total liabilities	23,293,541
<hr/>	
Stockholders' deficit:	
Preferred stock, \$1.00 par value, 1,000,000 shares authorized, none outstanding	--
Common stock, \$.01 par value, 40,000,000 shares authorized, 30,880,435 shares and 22,880,435 shares issued and outstanding at December 31, 2007 and September 30, 2007	308,804
Additional paid-in capital	38,747,220
Accumulated deficit	(47,126,184)
<hr/>	
Total stockholders' deficit	(8,070,160)
<hr/>	
	\$ 15,223,381
<hr/>	

See accompanying notes to unaudited consolidated financial statements.

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	2007	2006
	-----	-----
Net sales	\$ 5,888,098	\$ 4,886,730
Cost of sales	4,085,932	3,403,370
	-----	-----
Gross profit	1,802,166	1,483,360
Operating expenses:		
Selling, general and administrative	1,273,414	967,942
	-----	-----
Operating income from continuing operations	528,752	515,418
	-----	-----
Other income (expense):		
Interest and financing costs	(497,718)	(523,141)
Other, net	39,370	(11,154)
	-----	-----
Other (expense), net	(458,348)	(534,295)
	-----	-----
Income (loss) from continuing operations before income taxes ..	70,404	(18,877)
Provision for income taxes	52,500	--
	-----	-----
Income (loss) from continuing operations	17,904	(18,877)
	-----	-----
Discontinued operations:		
Income from discontinued operations	--	9,825
	-----	-----
	--	9,825
	-----	-----
Net income (loss)	\$ 17,904	\$ (9,052)
	=====	=====
Income (loss) from continuing operations per share -basic	\$ 0.00	\$ 0.00
Income from discontinued operations per share -basic	0.00	0.00
	-----	-----
Net income (loss) per share -basic	\$ 0.00	\$ 0.00
	=====	=====
Net income (loss) per share -diluted	\$ 0.00	\$ 0.00
	=====	=====
Weighted average shares outstanding -basic	30,880,435	21,466,625
	=====	=====
Weighted average shares outstanding -diluted	35,787,810	21,466,625
	=====	=====

See accompanying notes to unaudited consolidated financial statements.

GREENMAN TECHNOLOGIES, INC.
Consolidated Statement of Changes in Stockholders' Deficit
Three Months Ended December 31, 2007
(Unaudited)

Common Stock	Additional	Ac
Shares	Paid In Capital	
Amount		

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Balance, September 30, 2007	22,880,435	\$228,804	\$35,995,473	\$ (4
Common stock issued for acquisition	8,000,000	80,000	2,720,000	
Compensation expense associated with stock options ..	--	--	28,182	
Value of warrants issued for services rendered	--	--	3,565	
Net income for the quarter ended December 31, 2007 ..	--	--	--	
Balance, December 31, 2007	30,880,435	\$308,804	\$38,747,220	\$ (4

See accompanying notes to unaudited consolidated financial statements.

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GREENMAN TECHNOLOGIES, INC.
Consolidated Statements of Cash Flow
(Unaudited)

Cash flows from operating activities:				Three
Net income (loss)				2
Adjustments to reconcile net loss to net cash (used) provided by operating activities:				
(Gain) loss on disposal of property, plant and equipment				
Depreciation				
Amortization of deferred interest expense				
Amortization of customer relationships				
Amortization of stock option compensation expense				
Amortization of patents				
Amortization of long term contracts				
Amortization of deferred gain on sale leaseback transaction				
Net value of warrants issued				
Decrease (increase) in assets:				
Accounts receivable				
Product inventory				
Other current assets				
Other assets				
Increase (decrease) in liabilities:				
Accounts payable				
Accrued expenses and other				
Net cash provided (used) by operating activities				
Cash flows from investing activities:				
Purchase of property and equipment				
Cash acquired upon purchase of business, net of transaction costs				
Proceeds from the sale of property and equipment				
Net cash (used) provided by investing activities				
Cash flows from financing activities:				
Net activity under line of credit				1
Proceeds from notes payable				
Repayment of notes payable				(1

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Repayment of notes payable, related party	
Principal payments on obligations under capital leases	

Net cash used by financing activities	-----

Net increase (decrease) in cash and cash equivalents	
Cash and cash equivalents at beginning of period	

Cash and cash equivalents at end of period	\$ =====
Supplemental cash flow information:	
Machinery and equipment acquired under capital leases	
Shares issued in acquisition	2
Shares issued in lieu of cash for fees, expenses and service rendered	
Shares issued for lease settlement	
Interest paid	
Taxes paid	

See accompanying notes to unaudited consolidated financial statements.

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GREENMAN TECHNOLOGIES, INC.
Notes to Interim Consolidated Financial Statements
Quarter Ended December 31, 2007 and 2006
(Unaudited)

1. Business

GreenMan Technologies, Inc. (together with its subsidiaries "we", "us" or "our") was originally founded in 1992 and has operated as a Delaware corporation since 1995. Today, GreenMan is comprised of two business segments, the tire recycling operations and the molded recycled rubber products operations.

The tire recycling operations are located in Savage, Minnesota and Des Moines, Iowa and collect, process and market scrap tires in whole, shredded or granular form. We are paid a fee to collect, transport and process scrap tires (i.e., collection/processing revenue) in whole or into two inch or smaller rubber chips which are then sold (i.e., product revenue).

On October 1, 2007 we acquired, Welch Products, Inc. ("Welch") which is located in Carlisle, Iowa and manufactures, installs and markets branded recycled content products and services that provide schools and other political subdivisions viable solutions for safety, compliance, and accessibility. The transaction was structured as a share exchange in which 100 percent of Welch Products' common stock was exchanged for 8 million shares of our common stock, valued at \$2,800,000.

2. Basis of Presentation

The consolidated financial statements include the accounts of GreenMan Technologies, Inc. and our wholly-owned subsidiaries with the exception of Welch which is included since October 1, 2007. All significant intercompany accounts and transactions have been eliminated in consolidation.

In September 2005, due to the magnitude of continued operating losses, our Board of Directors approved plans to divest the operations of our Georgia

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subsidiary and dispose of their respective assets. Accordingly, we have classified all remaining liabilities associated with our Georgia entity and their results of operations as discontinued operations for all periods presented in the accompanying consolidated financial statements.

The accompanying interim financial statements are unaudited and should be read in conjunction with the financial statements and notes thereto for the year ended September 30, 2007 included in our Annual Report on Form 10-KSB, as amended. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to the Securities and Exchange Commission rules and regulations, although we believe the disclosures which have been made herein are adequate to ensure that the information presented is not misleading. The results of operations for the interim periods reported are not necessarily indicative of those that maybe reported for a full year. In our opinion, all adjustments which are necessary for a fair statement of operating results for the interim periods presented have been made. Certain reclassifications have been made to the 2006 interim consolidated financial statements to conform to the current period presentation.

Nature of Operations, Risks, and Uncertainties

As of December 31, 2007, we had \$421,807 in cash and cash equivalents and a working capital deficiency of \$5,367,910 of which \$2,975,472 or 55% of the total is associated with our discontinued Georgia subsidiary. We understand our continued existence is dependent on our ability to generate positive operating cash flow, achieve profitable status on a sustained basis for all operations and settle existing obligations. We believe our efforts to achieve these goals, have been positively impacted by our divestiture of historically unprofitable operations during fiscal 2006 and 2005 as evidenced by our recent three consecutive profitable quarters and a significant reduction in our quarterly losses over the prior four quarters. However, commencing October 1, 2008, our principal payments due Laurus are scheduled to increase substantially. If we are unable to obtain additional financing or restructure our remaining principal payments with Laurus, our ability to maintain our current level of operations could be materially and adversely affected and we may be required to adjust our operating plans accordingly.

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GREENMAN TECHNOLOGIES, INC.
Notes to Interim Consolidated Financial Statements
Quarter Ended December 31, 2007 and 2006
(Unaudited)

3. Net Loss Per Share

Basic earnings per share represents income available to common stockholders divided by the weighted average number of common shares outstanding during the period. Diluted earnings per share reflects additional common shares that would have been outstanding if potentially dilutive common shares had been issued, as well as any adjustment to income that would result from the assumed conversion. Potential common shares that may be issued by us relate to outstanding stock options and warrants (determined using the treasury stock method). Basic and diluted net income per share for the three months ended December 31, 2007 are as follows:

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Three Months Ended
December 31, 2007

Weighted average shares outstanding	30,880,435
Exercisable options and warrants	4,907,375

Weighted average shares, options and warrants outstanding	35,787,810
	=====
Earnings per share - fully diluted from continuing operations ...	\$ 0.00
Earnings per share - fully diluted from discontinued operations .	\$ 0.00

Earnings per share - fully diluted	\$ 0.00
	=====

Basic and diluted net loss per share are the same for the three months ended December 31, 2006, since the effect of the inclusion of all outstanding options, warrants and convertible debt would be anti-dilutive.

4. Acquisition of Subsidiary

On October 1, 2007 we acquired Welch Products, Inc., a company headquartered in Carlisle, Iowa, which specializes in design, product development, and manufacturing of environmentally responsible products using recycled materials, primarily recycled rubber. Welch's patented products and processes include playground safety tiles, roadside anti-vegetation products, construction molds and highway guard-rail rubber spacer blocks. Through its recent acquisition of Playtribe, Inc., Welch also provides innovative playground design, equipment and installation. Welch Products had been one of our crumb rubber customers for the past several years. The transaction was structured as a share exchange in which 100 percent of Welch Products' common stock was exchanged for 8 million shares of our common stock, valued at \$2,800,000 based on the value of the 8 million shares issued in this transaction on the date of issuance. The unaudited revenues of Welch Products, Inc. for the twelve months ended September 30, 2007 was approximately \$1.8 million and they had a net loss of approximately \$646,000.

The acquisition has been accounted for as a purchase in accordance with SFAS No. 141 "Business Combinations" and accordingly the results of Welch since the date of acquisition is included in the consolidated financial statements. The total purchase price of \$2,890,000 including approximately \$90,000 of transaction costs has been allocated as follows:

Total identifiable assets acquired	\$2,571,000
Total identifiable liabilities acquired	\$2,821,000

The total consideration paid exceeded the fair value of the net assets acquired by \$3,140,000 resulting in the recognition of \$2,289,000 of goodwill and \$645,000 assigned to long term contracts (in addition to \$90,000 assigned to an existing contract and being amortized over a 5 year term) based on an analysis of the discounted future net cash flows of the contracts. In addition, we increased the value of land and buildings by \$195,000 based on a recent appraisal and increased the value assigned to patents by \$11,000 based on an analysis of discounted future cash flows associated with the patents. The value assigned to the long term contracts is being amortized on a straight line basis over an estimated useful life of 48 months and the value assigned to patents is being amortized on a straight line basis over an estimated useful life of 60 months. Goodwill will be evaluated annually.

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GREENMAN TECHNOLOGIES, INC.
Notes to Interim Consolidated Financial Statements
Quarter Ended December 31, 2007 and 2006
(Unaudited)

4. Acquisition of Subsidiary - (Continued)

The net value of Welch intangibles other than goodwill is as follows as of December 31, 2007:

	Long Term Contracts	Patents
	-----	-----
Original value	\$ 735,000	\$ 130,000
Accumulated amortization	(46,312)	(5,417)
	-----	-----
Balance at December 31, 2007	\$ 688,688	\$ 124,583
	=====	=====

Amortization expense for the three months ended December 31, 2007 associated with Welch intangibles was \$50,229. Amortization expense during the next five years is anticipated to be:

Twelve months ending December 31:	Contracts	Patents	Total
	-----	-----	-----
2008	\$ 179,256	\$ 21,668	\$ 200,924
2009	179,256	21,668	200,924
2010	179,256	21,668	200,924
2011	138,920	21,668	160,588
2012 and thereafter	12,000	37,911	49,911
	-----	-----	-----
	\$ 688,688	\$ 124,583	\$ 813,271
	=====	=====	=====

Management continually reviews long-lived assets, goodwill and certain identifiable intangibles to evaluate whether events or changes in circumstances indicate an impairment of carrying value. Such reviews include an analysis of current results and take into consideration the discounted value of projected operating cash flows (earnings before interest, taxes, depreciation and amortization). An impairment charge would be recognized when expected future operating cash flows are lower than the carrying value of the assets.

5. Discontinued Operations

Due to the magnitude of the continuing operating losses incurred by our Georgia (\$3.4 million) during fiscal 2005 our Board of Directors determined it to be in the best interest of our company to discontinue all Georgia operations and completed the divestiture of their respective operating assets during fiscal 2006. Accordingly, we have classified all remaining liabilities associated with our Georgia entity and their results of operations as discontinued operations.

During the quarter ended December 31, 2006 several vendors issued credits relating to past due amounts, we recovered some bad debts and reduced certain accrued expenses which offset a \$19,058 increase in our lease settlement reserve (see discussion of our Georgia lease below) resulting in approximately \$9,800 of income from discontinued Georgia operations.

In February 2006, we amended our Georgia lease agreement to obtain the right to terminate the original lease which had a remaining term of

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approximately 15 years, by providing the landlord with six months notice. In the event of termination, we will be obligated to continue to pay rent until the earlier to occur of (1) the sale by the landlord of the premises; (2) the date on which a new tenant takes over; or (3) three years from the date on which we vacate the property.

In August 2006 we received notice from the Georgia landlord indicating that the Georgia subsidiary was in default under the lease due to its insolvent financial condition. The landlord agreed to waive the default in return for a \$75,000 fee to be paid upon termination of the lease and required that all current and future rights and obligations under the lease be assigned to GreenMan Technologies, Inc. pursuant to a March 29, 2001 guaranty agreement. The \$75,000 is included in loss from discontinued operations for the fiscal year ended September 30, 2006 and is included in Obligations due under lease settlement at December 31, 2006. The net present value of the lease settlement obligation increased by \$19,058 during the quarter ended December 31, 2006 and is included in discontinued operations.

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GREENMAN TECHNOLOGIES, INC.
Notes to Interim Consolidated Financial Statements
Quarter Ended December 31, 2007 and 2006
(Unaudited)

5. Discontinued Operations - (Continued)

The major classes of liabilities associated with discontinued operations were:

	December 31, 2007	September 30, 2007
	-----	-----
Liabilities related to discontinued operations:		
Accounts payable	\$ 2,459,748	\$ 2,502,779
Notes payable, current	357,340	357,340
Accrued expenses, other	107,115	107,115
Capital leases, current	51,269	51,269
	-----	-----
Total liabilities related to discontinued operations ..	\$ 2,975,472	\$ 3,018,503
	=====	=====

Net sales and (loss) from discontinued operations were as follows:

	December 31, 2007	December 31, 2006
	-----	-----
Income (loss) from discontinued operations	\$ --	\$ 9,825

6. Property, Plant and Equipment

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Property, plant and equipment consists of the following:

	December 31, 2007	September 30, 2007	Estimated Useful Lives
	-----	-----	-----
Land	\$ 175,000	\$ --	--
Buildings and improvements	1,919,361	1,384,028	10 - 20 years
Machinery and equipment	8,799,573	7,379,405	5 - 10 years
Furniture and fixtures	74,280	15,147	3 - 5 years
Motor vehicles	4,348,953	3,928,089	3 - 10 years
	-----	-----	
	15,317,167	12,706,669	
Less accumulated depreciation and amortization	(9,020,841)	(7,487,943)	
	-----	-----	
Property, plant and equipment, net ..	\$ 6,296,326	\$ 5,218,706	
	=====	=====	

7. Notes Payable/Credit Facilities

June 2006 Laurus Credit Facility

On June 30, 2006, we entered into a \$16 million amended and restated credit facility with Laurus (the "New Credit Facility"). The New Credit Facility consists of a \$5 million non-convertible secured revolving note and an \$11 million secured non-convertible term note. Unlike the terms of our prior credit facility with Laurus, the New Credit Facility is not convertible into shares of our common stock.

Our obligations under the New Credit Facility are secured by first priority security interests in all of the assets of our company and all of the assets of our GreenMan Technologies of Minnesota, Inc. and GreenMan Technologies of Iowa, Inc. subsidiaries, as well as by pledges of the capital stock of those subsidiaries. In January 2008, we granted Laurus additional security interest in the assets of Welch Products and its subsidiaries which increased our borrowing base under the revolving note described above.

The revolving note has a three-year term from the closing, bears interest on any outstanding amounts at the prime rate plus 2% (9.25% at December 31, 2007), with a minimum rate of 8%. Amounts advanced under the line are limited to 90% of eligible accounts receivable and 50% of finished goods inventory, as defined up to a maximum of \$5 million, subject to certain limitations. As of December 31, 2007 the balance due under the revolving note was \$1,002,943.

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GreenMan Technologies, Inc.
Notes To Consolidated Financial Statements
Quarter Ended December 31, 2007 and 2006
(Unaudited)

7. Credit Facility/Notes Payable - (Continued)

The term loan has a maturity date of June 30, 2009 and bears interest at the prime rate plus 2% (9.25% at December 31, 2007), with a minimum rate of 8%.

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Interest on the term loan is payable monthly commencing August 1, 2006. Principal is to be amortized over the term of the loan, commencing on July 2, 2007, with minimum monthly payments of principal as follows: (i) for the period commencing on July 2, 2007 through June 2008, minimum principal payments of \$150,000; (ii) for the period from July 2008 through June 2009, minimum principal payments of \$400,000; and (iii) the balance of the principal will be payable on the maturity date. In May 2007, Laurus agreed to reduce the principal payments required during the period of July 2007 to September 2008 to \$100,000 per month and defer the difference of \$1,500,000 to the June 2009 maturity date. In addition, we have agreed to make an excess cash flow repayment as follows: no later than ninety-five days following the end of each fiscal year beginning with the fiscal year ending on September 30, 2007, we have agreed to make a payment equal to 50% of (a) the aggregate net operating cash flow generated for such fiscal year less (b) aggregate capital expenditures made in such fiscal year (up to a maximum of 25% of the net operating cash flow calculated in accordance with this clause). Laurus agreed to waive this provision for the year ended September 30, 2007. The term loan may be prepaid at any time without penalty.

Subject to applicable cure periods, amounts borrowed under the New Credit Facility are subject to acceleration upon certain events of default, including: (i) any failure to pay when due any amount we owe under the New Credit Facility; (ii) any material breach by us of any other covenant made to Laurus; (iii) any misrepresentation, in any material respect, made by us to Laurus in the documents governing the New Credit Facility; (iv) the institution of certain bankruptcy and insolvency proceedings by or against us; (v) the entry of certain monetary judgments greater than \$50,000 against us that are not paid or vacated for a period of 30 business days; (vi) suspensions of trading of our common stock; (vii) any failure to deliver shares of common stock upon exercise of the warrant; (viii) certain defaults under agreements related to any of our other indebtedness; and (ix) changes of control of our company. Substantial fees and penalties are payable to Laurus in the event of a default.

In connection with the New Credit Facility, we issued Laurus a warrant to purchase up to an aggregate of 3,586,429 shares of our common stock at an exercise price equal to \$0.01 per share. This warrant, valued at \$1,116,927, is immediately exercisable, has a term of ten years, allows for cashless exercise at the option of Laurus, and does not contain any "put" provisions. Previously issued warrants to purchase an aggregate of 1,380,000 shares of our common stock, which were issued in connection with the original notes on June 30, 2004, were canceled as part of this transaction. The amount of our common stock Laurus may hold at any given time is limited to no more than 4.99% of our outstanding common stock. This limitation may be waived by Laurus upon 61 days notice to us and does not apply if an event of default occurs and is continuing under the New Credit Facility. The fair value of these terminated warrants was determined to be \$31,774 and offset the value of the new warrant issued. In addition, the fair value associated with the foregone convertibility feature of all previous convertible amounts was determined to be \$740,998 and also offset the value of the new warrant issued. As a result of the foregoing, the net value assigned to the new warrant of \$344,155 was recorded as paid in capital and recorded as a reduction to the carrying value of the refinanced note as described below.

Laurus has agreed that it will not, on any trading day, be permitted to sell any common stock acquired upon exercise of this warrant in excess of 10% of the aggregate numbers of shares of the common stock traded on such trading day. On January 25, 2007 we filed a registration statement under the Securities Act of 1933 relating to the 3,586,429 shares underlying the June 30, 2006 warrant as well as 553,997 shares issuable to another shareholder upon exercise of a warrant. The registration statement was declared effective on February 6, 2007. During the period of June through August 2007, Laurus acquired 1,154,098 shares of our common stock upon the partial exercise of its warrants on a cashless basis.

GREENMAN TECHNOLOGIES, INC.
 Notes to Interim Consolidated Financial Statements
 Quarter Ended December 31, 2007 and 2006
 (Unaudited)

7. Credit Facility/Notes Payable - (Continued)

Pursuant to Statement of Financial Accounting Standards No. 15, "Accounting by Debtors and Creditors for Troubled Debt Restructuring" ("SFAS 15") the New Credit Facility has been accounted for as a troubled debt restructuring. It was determined that, because the effective interest rate of the New Credit Facility was lower than that of the previous credit facility therefore indicating a concession was granted by Laurus, we are viewed as a passive beneficiary of the restructuring, and no new transaction has occurred. Under SFAS 15, a modification of terms "is neither an event that results in a new asset or liability for accounting purposes nor an event that requires a new measurement of an existing asset or liability." Thus, from a debtor's standpoint, SFAS 15 calls for a modification of the terms of a loan to be accounted for prospectively. As a result, unamortized balances of \$258,900 of deferred financing fees and \$972,836 of debt discount and beneficial conversion features associated with the previous Laurus credit facility were netted along with the value of the new warrants issued of \$344,155 against the new term debt related to the portion of the new debt that refinanced the Laurus debt and related accrued interest totaling \$8,503,416 to provide a net carrying amount for that portion of the debt of \$6,927,525. The carrying amount of the loan will be amortized over the term of the loan at a constant effective interest rate of 20% applied to the future cash payments specified by the new loan.

The carrying value of the Laurus debt under the New Credit Facility at December 31, 2007 was \$10,654,616 and does not equate to the total cash payments due under the debt as a result of accounting for a troubled debt restructuring. The following is a summary of the cash maturities of the Laurus debt:

Twelve Months Ending December 31,	

2008	\$ 3,102,943
2009	8,300,000

	\$11,402,943
	=====

8. Litigation

As of December 31, 2007, approximately seventeen vendors of our GreenMan Technologies of Georgia, Inc. and GreenMan Technologies of Tennessee, Inc. subsidiaries had commenced legal action, primarily in the state courts of Georgia, in attempts to collect approximately \$1.9 million of past due amounts, plus accruing interest, attorneys' fees, and costs, all relating to various services rendered to these subsidiaries. These amounts are included in liabilities related to discontinued operations at December 31, 2007. The largest individual claim is for approximately \$650,000. As of December 31, 2007, eight vendors had secured judgments in their favor against GreenMan Technologies of Georgia, Inc. for an aggregate of approximately \$661,000. As previously noted, all of GreenMan Technologies of Tennessee, Inc.'s assets were sold in September 2005 and substantially all of GreenMan Technologies of Georgia, Inc.'s assets were sold as of March 1, 2006. All proceeds from these sales were retained by our secured lender and these subsidiaries have no substantial assets. We are

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therefore currently evaluating the alternatives available to these subsidiaries. GreenMan Technologies, Inc. has valid defenses to these claims, as well as against any similar or related claims that may be made against us in the future, and we intend to defend against any such claims vigorously. In addition to the foregoing, we are subject to routine claims from time to time in the ordinary course of our business. We do not believe that the resolution of any of the claims that are currently known to us will have a material adverse effect on our company or on our financial statements.

9. Stockholders' Equity

Common Stock Transactions

On October 1, 2007, we issued 8,000,000 shares of our unregistered common stock valued at \$2,800,000 (at a price of \$.35 which was the closing price of our stock on the date of issuance) in conjunction with the acquisition of Welch Products. (See Note 2).

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GREENMAN TECHNOLOGIES, INC.
Notes to Interim Consolidated Financial Statements
Quarter Ended December 31, 2007 and 2006
(Unaudited)

9. Stockholders' Equity - (Continued)

Authorized Shares

As of December 31, 2007 30,880,435 shares of our common stock were issued and outstanding, and we had reserved approximately 10,545,758 additional shares for future issuance. These reserved shares relate to the following: 3,382,356 shares for issuance upon exercise of awards granted under our 1993 Stock Option Plan, 1996 Non-Employee Director Stock Option Plan, 2005 Stock Option Plan and 7,163,402 shares for issuance upon exercise of other stock options and stock purchase warrants. The number of shares reserved by our company for future issuance exceeds the number of shares authorized for issuance. Although management believes that it is likely that we will have a sufficient number of authorized but unissued shares to satisfy all exercises of vested options and warrants granted to date, management believes that we will be prohibited from making future grants under the 2005 Stock Option Plan and that we will not have sufficient shares to issue in conjunction with potential business development opportunities or capital raising efforts.

On January 17, 2008 our Board of Directors approved a recommendation to amend our Restated Certificate of Incorporation to increase the number of authorized shares of common stock from 40,000,000 to 60,000,000 shares. This recommendation will be presented to our stockholders for approval at the 2008 Annual Meeting to be held on April 2, 2008.

Stock Options

We maintain stock-based compensation plans, which are described more fully in Note 11 to the consolidated financial statements in our 2006 Annual Report filed on Form 10-KSB. As permitted by Statement of Financial Accounting Standards ("SFAS") No. 123, "Accounting for Stock-Based Compensation", we previously had elected to continue with the accounting methodology prescribed by Accounting Principles Board Opinion ("APB") No. 25, "Accounting for Stock Issued to Employees." On October 1, 2006, we adopted the fair value recognition provisions of SFAS No. 123(R) "Share-based Payment" using the modified

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prospective method and have applied the required fair value methodology to all stock option and equity award plans. We use the Black-Scholes option valuation to determine the fair value of share based payments granted after October 1, 2006. During the three months ended December 31, 2007 and 2006, we recorded \$28,182 and \$8,562, respectively of stock based compensation expense as a result of the adoption of SFAS 123(R). The unamortized compensation costs at December 31, 2007 was \$469,478.

During the three months ended December 31, 2007, we granted options to several employees to purchase an aggregate of 670,000 shares of the our common stock at an exercise price of \$.35 to per share, which represented the closing price of our stock on the date of each respective grant. The options were granted under the 2005 Stock Option Plan, have a ten-year term and vest equally over a five-year period from date of grant. The fair value of the options at the date of grant in aggregate was \$160,000 and assumptions utilized to determine such value is indicated in the following table for the three months ended December 31, 2007:

	Three Months Ended December 31, 2007
Risk-free interest rate	4.33%
Expected dividend yield	--
Expected life	7.5 years
Expected volatility	64%
Weighted Average fair value of options granted	\$.24

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GREENMAN TECHNOLOGIES, INC.
Notes to Interim Consolidated Financial Statements
Quarter Ended December 31, 2007 and 2006
(Unaudited)

9. Stockholders' Equity - (Continued)

In projecting expected stock price volatility we considered historical data for a fifty two week period prior to date of grant. We estimated the expected life of stock options using the shortcut method, and estimated stock option forfeitures based on historical experience.

10. Segment Information

In conjunction with the acquisition of Welch Products (See Note 4) on October 1, 2007, we established a new reporting structure whereby we now have two reportable operating segments: (1) tire recycling and (2) molded recycled rubber products.

The tire recycling operations collect, process and market scrap tires in whole, shredded or granular form. We are paid a fee to collect, transport and process scrap tires (i.e., collection/processing revenue) in whole or into two inch or smaller rubber chips which are then sold (i.e., product revenue).

The molded recycled rubber products operations manufacture, install and market branded recycled content products and services that provide schools and other political subdivisions viable solutions for safety, compliance, and accessibility. We have identified the tire recycling and molded recycled rubber product as operating segments for which discrete financial information is available. Both operating segments have their respective management team.

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Pursuant to Statement of Financial Accounting Standards ("SFAS") No. 131, "Disclosures about Segments of an Enterprise and Related Information", our Chief Executive Officer has been identified as the chief operating decision maker (CODM) as he assesses the performance of the segments and decides how to allocate resources to the segments. Income (loss) from operations is the measure of profit and loss that our CODM uses to assess performance and make decisions. Assets are not a measure used to assess the performance of the company by the CODM; therefore we will report assets by segment in our disclosures. Income (loss) from operations represents the net sales less the cost of sales and direct operating expenses incurred within the operating segments as well the allocation of some but not all corporate operating expenses. These unallocated costs include certain corporate functions (certain legal, accounting, wage, public relations, interest expense) are included in the results below under Corporate and other in the reconciliation of operating results. Management does not consider unallocated Corporate and other in its management of segment reporting.

The following table provides total assets for our operating segments as of:

	December 31, 2007	September 30, 2007
	-----	-----
Total assets:		
Tire recycling	\$ 9,369,893	\$ 9,034,960
Molded recycled rubber products ...	5,553,581	--
Corporate and other	299,907	256,243
	-----	-----
Total net assets	\$ 15,223,381	\$ 9,291,203
	=====	=====

The following table provides net sales and income from operations for our operating segments:

	Three Months Ended December 31, 2007	Three Months Ended December 31, 2006
	-----	-----
Net Sales:		
Tire recycling	\$ 5,288,484	\$ 4,886,730
Molded recycled rubber products	599,614	--
Corporate and other	--	--
	-----	-----
Total net sales	\$ 5,888,098	\$ 4,886,730
	=====	=====

	Three Months Ended December 31, 2007	Three Months Ended December 31, 2006
	-----	-----
Income (loss) from continuing operations:		
Tire recycling	\$ 780,622	\$ 585,309
Molded recycled rubber products	(310,286)	--
Corporate and other	(452,432)	(604,186)
	-----	-----
Total income from continuing operations ..	\$ 17,904	\$ (18,877)
	=====	=====

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GREENMAN TECHNOLOGIES, INC.
Notes to Interim Consolidated Financial Statements
Quarter Ended December 31, 2007 and 2006
(Unaudited)

11. Income Taxes

We recorded a provision for state income tax expense of approximately \$52,000 during the quarter ended December 31, 2007 based on certain subsidiary state income tax obligations.

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Item 2. Management's Discussion and Analysis or Plan of Operation

In September 2005, due to the magnitude of continued operating losses, our Board of Directors approved plans to divest the operations of our Georgia subsidiary and dispose of their respective assets. Accordingly, we have classified all remaining liabilities associated with our Georgia entity and their results of operations as discontinued operations for all periods presented in the accompanying consolidated financial statements. On October 1, 2007, we acquired Welch Products, Inc. in exchange for 8,000,000 newly issued shares of our common stock. The results described below include the operations of Welch since October 1, 2007.

The following information should be read in conjunction with the unaudited consolidated financial statements and the notes thereto included in Item 1 of the Quarterly Report, and the audited consolidated financial statements and notes thereto and Management's Discussion and Analysis of Financial Condition and Results of Operations contained in our Form 10-KSB filed for the year ended September 30, 2007.

Results of Operations

Three Months ended December 31, 2007 Compared to the Three Months ended December 31, 2006

Net sales from continuing operations for the three months ended December 31, 2007 increased \$1,001,368 or 20% to \$5,888,098 as compared to the first quarter of last year's net sales from continuing operations of \$4,886,730. The increase is primarily attributable to the inclusion of approximately \$600,000 of revenue associated with Welch, our newly acquired subsidiary. The remaining increase was attributable to a 17% increase in overall product revenue associated with the tire recycling operations. We processed approximately 3.6 million passenger tire equivalents during the quarter ended December 31, 2007 which was consistent with the same period last year.

Gross profit for the three months ended December 31, 2007 was \$1,802,166 or 31% of net sales, compared to \$1,483,360 or 30% of net sales for the three months ended December 31, 2006. The results for the three months ended December 31, 2007 included Welch which had a gross profit of \$112,174 or 19% of its net sales.

Selling, general and administrative expenses for the three months ended December 31, 2007 increased \$305,472 to \$1,273,414 or 22% of net sales, compared to \$967,942 or 20% of net sales for the three months ended December 31, 2006. The increase was primarily attributable to the inclusion of \$400,714 associated with Welch which was offset by reduced wages and performance based incentives and professional expenses.

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As a result of the foregoing, we had operating income from continuing operations of \$528,752 during the three months ended December 31, 2007 as compared to operating income of \$515,418 for the three months ended December 31, 2006.

Interest and financing expense for the three months ended December 31, 2007 decreased \$25,423 to \$497,718, compared to \$523,141 during the three months ended December 31, 2006. The decrease was primarily due to reduced interest rates and borrowings.

We recorded a provision for state income tax expense of approximately \$53,000 during the three months ended December 31, 2007.

As a result of the foregoing, we had net income after income taxes from continuing operations for the three months ended December 31, 2007 of \$17,904 or \$.00 per basic share, compared to a net loss of \$18,877 or \$.00 per basic share for the three months ended December 31, 2006.

During the three months ended December 31, 2006, several vendors issued credits relating to past due amounts, we recovered some bad debts and reduced certain accrued expenses which offset a \$19,058 increase in our Georgia lease settlement reserve resulting in \$9,825 (\$.00 per basic share) of income from discontinued operations.

Our net income for the three months ended December 31, 2007 was \$17,904 or \$.00 per basic share as compared to a net loss of \$9,052 or \$.00 per basic share for the three months ended December 31, 2006.

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Liquidity and Capital Resources

As of December 31, 2007, we had \$421,807 in cash and cash equivalents and a working capital deficiency of \$5,367,910 of which \$2,975,472 or 55% of the total is associated with our discontinued Georgia subsidiary. We understand our continued existence is dependent on our ability to generate positive operating cash flow, achieve profitable status on a sustained basis for all operations and settle existing obligations. We believe our efforts to achieve these goals, have been positively impacted by our divestiture of historically unprofitable operations during fiscal 2006 and 2005 as evidenced by our recent three consecutive profitable quarters and a significant reduction in our quarterly losses over the prior four quarters. However, commencing October 1, 2008, our principal payments due Laurus are scheduled to increase substantially. If we are unable to obtain additional financing or restructure our remaining principal payments with Laurus, our ability to maintain our current level of operations could be materially and adversely affected and we may be required to adjust our operating plans accordingly.

The Consolidated Statements of Cash Flows reflect events in the three months ended December 31, 2007 and 2006 as they affect our liquidity. During the three months ended December 31, 2007, net cash used by operating activities was \$420,391. While our net income was \$17,904 our overall cash flow was positively impacted by the following non-cash expenses and changes to our working capital: \$547,795 of depreciation and amortization and a decrease in accounts receivable of \$742,479. These changes were offset by a \$345,820 increase in product inventory which is not unusual during this seasonally slower quarter and a net decrease in accounts payable and accrued expenses of \$299,413. During the three months ended December 31, 2006, net cash used by operating activities was \$26,723. While our net loss was \$9,052 our overall cash flow was positively

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impacted by the following non-cash expenses and changes to our working capital: \$380,809 of depreciation and amortization and a decrease in accounts receivable of \$101,949. These changes were offset by a \$293,498 increase in product inventory which is not unusual during this seasonally slower quarter and a net decrease in accounts payable and accrued expenses of \$124,874.

Net cash used by investing activities was \$573,401 for the three months ended December 31, 2007 reflecting the purchase of equipment offset by proceeds of \$2,000 and \$68,571 of net cash acquired in the Welcot acquisition. Net cash used by investing activities was \$204,055 for the three months ended December 31, 2006 reflecting the purchase of equipment offset by proceeds of \$13,546.

Net cash provided by financing activities was \$198,053 during the three months ended December 31, 2007 reflecting normal debt including the payoff of approximately \$467,000 of Welcot debt in conjunction with the acquisition. and capital lease repayments and an increase in our working capital line of \$1,002,943. Net cash used by financing activities was \$140,577 during the three months ended December 31, 2006 reflecting normal debt and capital lease repayments.

In order to reduce our operating costs, address our liquidity needs and return to profitable status, we have implemented and/or are in the processing of implementing the following actions:

Divestiture of Unprofitable Operations

Due to the magnitude of the continuing operating losses incurred by our Georgia (\$3.4 million) and Tennessee (\$1.8 million) subsidiaries during fiscal 2005 and our California (\$3.2 million since inception) subsidiary in fiscal 2006 our Board of Directors determined it to be in the best interest of our company to discontinue all southeastern and west coast operations and dispose of their respective operating assets.

The divestiture of our Tennessee operations was substantially completed during the fiscal year ended September 30, 2005 and the divestiture of our Georgia and California subsidiaries was completed during fiscal 2006.

Credit Facility Refinancing

On June 30, 2006, we entered into a \$16 million amended and restated credit facility with Laurus (the "New Credit Facility"). The New Credit Facility consists of a \$5 million non-convertible secured revolving note and an \$11 million secured non-convertible term note. Unlike our previous credit facility with Laurus, the New Credit Facility is not convertible into shares of common stock.

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The revolving note has a term of three years from the closing, bears interest on any outstanding amounts at the prime rate published in The Wall Street Journal from time to time plus 2%, with a minimum rate of 8%. The amount we may borrow at any time under the revolving note is based on our eligible accounts receivable and our eligible inventory with an advance rate equal to 90% of our eligible accounts receivable (90 days or less) and 50% of finished goods inventory up to a maximum of \$5 million minus such reserves as Laurus may reasonably in its good faith judgment deem necessary from time to time.

The term note has a maturity date of June 30, 2009 and bears interest at the prime rate published in The Wall Street Journal from time to time plus 2% with a minimum rate of 8%. Interest on the loan is payable monthly commencing

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August 1, 2006. Principal will be amortized over the term of the loan, commencing on July 2, 2007, with minimum monthly payments of principal as follows: (i) for the period commencing on July 2, 2007 through June 2008, minimum payments of \$150,000; (ii) for the period from July 2008 through June 2009, minimum payments of \$400,000; and (iii) the balance of the principal shall be payable on the maturity date. In May 2007, Laurus agreed to reduce the monthly principal payments required under Credit Facility during the period of July 2007 to June 2008 from \$150,000 to \$100,000 per month. Laurus also agreed to reduce the monthly principal payments required during the period of July 2008 to September 2008 from \$400,000 to \$100,000 per month. The net reduction of \$1,500,000 will be deferred and payable at the June 2009 maturity date. In addition, we have agreed to make an excess cash flow repayment as follows: no later than 95 days following the end of each fiscal year beginning with the fiscal year ending on September 30, 2007, we have agreed to make a payment equal to 50% of (a) our aggregate net operating cash flow generated in such fiscal year less (b) our aggregate capital expenditures in such fiscal year (up to a maximum of 25% of the net operating cash flow calculated in accordance with clause (a) of this sentence. Laurus agreed to waive this provision for the year ended September 30, 2007. The term loan may be prepaid at any time without penalty.

In connection with the New Credit Facility, we also issued to Laurus a warrant to purchase up to an aggregate of 3,586,429 shares of our common stock at an exercise price equal to \$.01 per share. Laurus has agreed that it will not, on any trading day, be permitted to sell any common stock acquired upon exercise of this warrant in excess of 10% of the aggregate number of shares of the common stock traded on such trading day. Previously issued warrants to purchase an aggregate of 1,380,000 shares of our common stock were canceled as part of these transactions. The amount of our common stock Laurus may hold at any given time is limited to no more than 4.99% of our outstanding capital stock. This limitation may be waived by Laurus upon 61 days notice to us and does not apply if an event of default occurs and is continuing under the New Credit Facility.

On January 25, 2007 we filed the registration statement under the Securities Act of 1933 relating to the 3,586,429 shares underlying the June 30, 2006 warrant as well as 553,997 shares issuable to another shareholder upon exercise of a warrant. The registration statement was declared effective on February 6, 2007.

Pursuant to Statement of Financial Accounting Standards No. 15, "Accounting by Debtors and Creditors for Troubled Debt Restructuring" ("SFAS 15") the New Credit Facility has been accounted for as a troubled debt restructuring. It was determined that, because the effective interest rate of the New Credit Facility was lower than that of the previous credit facility therefore indicating a concession was granted by Laurus, we are viewed as a passive beneficiary of the restructuring, and no new transaction has occurred. Under SFAS 15, a modification of terms "is neither an event that results in a new asset or liability for accounting purposes nor an event that requires a new measurement of an existing asset or liability." Thus, from a debtor's standpoint, SFAS 15 calls for a modification of the terms of a loan to be accounted for prospectively. As a result, unamortized balances of \$258,900 of deferred financing fees and \$972,836 of debt discount and beneficial conversion features associated with the previous Laurus credit facility were netted along with the value of the new warrants issued of \$344,155 against the new term debt related to the portion of the new debt that refinanced the Laurus debt and related accrued interest totaling \$8,503,416 to provide a net carrying amount for that portion of the debt of \$6,927,525. The carrying amount of the loan will be amortized over the term of the loan at a constant effective interest rate of 20% applied to the future cash payments specified by the new loan. (See Note 7 to the Audited Consolidated Financial Statements).

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Subject to applicable cure periods, amounts borrowed under the New Credit Facility are subject to acceleration upon certain events of default, including: (i) any failure to pay when due any amount we owe under the New Credit Facility; (ii) any material breach by us of any other covenant made to Laurus; (iii) any misrepresentation, in any material respect, made by us to Laurus in the documents governing the New Credit Facility; (iv) the institution of

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certain bankruptcy and insolvency proceedings by or against us; (v) the entry of certain monetary judgments greater than \$50,000 against us that are not paid or vacated for a period of 30 business days; (vi) suspensions of trading of our common stock; (vii) any failure to deliver shares of common stock upon exercise of the warrant; (viii) certain defaults under agreements related to any of our other indebtedness; and (ix) changes of control of our company. Substantial fees and penalties are payable to Laurus in the event of a default.

Our obligations under the New Credit Facility are secured by first priority security interests in all of the assets of our company and all of the assets of our GreenMan Technologies of Minnesota, Inc. and GreenMan Technologies of Iowa, Inc. subsidiaries, as well as by pledges of the capital stock of those subsidiaries. We expect to grant Laurus additional security interest in the assets of Welch Products and its subsidiaries, and believe that the grant of those security interests will increase our borrowing base under the term note described above.

Effects of Inflation and Changing Prices

Generally, we are exposed to the effects of inflation and changing prices. Given the largest component of our collection and disposal costs is transportation, we have been adversely affected by the significant increases in the cost of fuel. Additionally, because we rely on floating-rate debt for certain financing arrangements, rising interest rates in fiscal 2006 and higher prevailing interest rates in fiscal 2007 have had a negative effect on our performance.

Based on our fiscal 2008 operating plan, available working capital, revenues from operations and anticipated availability under our working capital line of credit with Laurus, we believe we will be able to satisfy our cash requirements through fiscal 2008 at which time our Laurus principal payments increase substantially. If we are unable to obtain additional financing or restructure our remaining principal payments with Laurus, our ability to maintain our current level of operations could be materially and adversely affected and we may be required to adjust our operating plans accordingly.

Off-Balance Sheet Arrangements

We lease various facilities and equipment under cancelable and non-cancelable short and long term operating leases which are described in Note 7 to our Audited Consolidated Financial Statements contained in Form 10-KSB filed for the year ended September 30, 2007.

Cautionary Statement

Information contained or incorporated by reference in this document contains forward-looking statements regarding future events and the future results of GreenMan Technologies, Inc. within the meaning of the Private Securities Litigation Reform Act of 1995, and are based on current expectations, estimates, forecasts, and projections and the beliefs and assumptions of our management. Words such as "expect," "anticipate," "target," "goal," "project,"

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"intend," "plan," "believe," "seek," "estimate," "will," "likely," "may," "designed," "would," "future," "can," "could" and other similar expressions that are predictions of or indicate future events and trends or which do not relate to historical matters are intended to identify such forward-looking statements. These statements are based on management's current expectations and beliefs and involve a number of risks, uncertainties, and assumptions that are difficult to predict; consequently actual results may differ materially from those projected, anticipated, or implied.

Factors That May Affect Future Results

Risks Related to our Business

We have been profitable during the most recent three quarters but lost money in the previous eighteen consecutive quarters. We may need additional working capital if we do not maintain profitability, which if not received, may force us to curtail operations.

While we recognized net income during the second half of fiscal 2007 and the first quarter of fiscal 2008, we have incurred losses from operations in the prior 18 consecutive quarters. As of December 31, 2007, we had \$421,807 in cash and cash equivalents and a working capital deficiency of \$5,367,910 of which \$2,975,472 or 55% of the total is associated with our discontinued Georgia subsidiary. We understand our continued existence is

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dependent on our ability to generate positive operating cash flow, achieve profitable status on a sustained basis for all operations and settle existing obligations. We believe our efforts to achieve these goals, have been positively impacted by our divestiture of historically unprofitable operations during fiscal 2006 and 2005 as evidenced by our recent three consecutive profitable quarters and a significant reduction in our quarterly losses over the prior four quarters. However, commencing October 1, 2008, our principal payments due Laurus are scheduled to increase substantially. If we are unable to obtain additional financing or restructure our remaining principal payments with Laurus, our ability to maintain our current level of operations could be materially and adversely affected and we may be required to adjust our operating plans accordingly.

The delisting of our common stock by the American Stock Exchange has limited our stock's liquidity and could substantially impair our ability to raise capital.

Our common stock ceased trading on the American Stock Exchange on June 15, 2006 and was delisted by the Exchange on July 6, 2006 as result of our failure to maintain Stockholders' equity in excess of \$4 million as required by the Exchange's Company Guide when a company has incurred losses in three of the four most recent fiscal years. During the period of June 15 through June 20, 2006 we were traded on the Pink Sheet. On June 21, 2006 we began trading on the Over-The-Counter-Bulletin-Board under the symbol "GMTI". We believe the delisting has limited our stock's liquidity and could substantially impair our ability to raise capital.

We have substantial indebtedness to Laurus Master Fund secured by substantially all of our assets. If an event of default occurs under the secured notes issued to Laurus, Laurus may foreclose on our assets and we may be forced to curtail or cease our operations or sell some or all of our assets to repay the notes. We have registered for resale for Laurus the 3,586,429 shares underlying a warrant.

On June 30, 2006, we entered into a \$16 million amended and restated

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credit facility with Laurus (the "New Credit Facility"). The New Credit Facility consists of a \$5 million non-convertible secured revolving note and an \$11 million secured non-convertible term note.

Subject to certain grace periods, the notes and agreements provide for the following events of default (among others):

- o failure to pay interest and principal when due;
- o an uncured breach by us of any material covenant, term or condition in any of the notes or related agreements;
- o a breach by us of any material representation or warranty made in any of the notes or in any related agreement;
- o any form of bankruptcy or insolvency proceeding is instituted by or against us;
- o any money judgment or similar final process is filed against us for more than \$50,000 that remains unvacated, unbonded or unstayed for a period of 30 business days;
- o suspension of our common stock from our principal trading market for five consecutive days or five days during any ten consecutive days;
- o any failure to deliver shares of common stock upon exercise of the warrant;
- o certain defaults under agreements related to any of our other indebtedness; and
- o changes of control of our company.

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In the event of a future default under our agreements with Laurus, Laurus may enforce its rights as a secured party and we may lose all or a portion of our assets, be forced to materially reduce our business activities or cease operations. On January 25, 2007 we filed the registration statement under the Securities Act of 1933 relating to the 3,586,429 shares underlying the June 30, 2006 warrant as well as 553,997 shares issuable to another shareholder upon exercise of a warrant. The registration statement was declared effective on February 6, 2007. During the period of June through August 2007 Laurus acquired 1,154,098 shares of our common stock upon the partial exercise of its warrant on a cashless basis.

We will require additional funding to grow our business, which funding may not be available to us on favorable terms or at all. If we do not obtain funding when we need it, our business will be adversely affected. In addition, if we have to sell securities in order to obtain financing, the rights of our current holders may be adversely affected.

We will have to seek additional outside funding sources to satisfy our future financing demands if our operations do not produce the level of revenue we require to maintain and grow our business. We cannot assure that outside funding will be available to us at the time that we need it and in the amount necessary to satisfy our needs, or, that if such funds are available, they will be available on terms that are favorable to us. If we are unable to secure financing when we need it, our business will be adversely affected and we may

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need to discontinue some or all of our operations. If we have to issue additional shares of common stock or securities convertible into common stock in order to secure additional funding, our current stockholders will experience dilution of their ownership of our shares. In the event that we issue securities or instruments other than common stock, we may be required to issue such instruments with greater rights than those currently possessed by holders of our common stock.

We may not be able to successfully integrate our recent acquisition of Welch Products, Inc into GreenMan and realize anticipated benefits.

On October 1, 2007 we acquired Welch Products, Inc., a company headquartered in Carlisle, Iowa, which specializes in design, product development, and manufacturing of environmentally responsible products using recycled materials, primarily recycled rubber. Since inception, Welch has invested significant amounts in sales and marketing efforts to promote their patented products and establish market presence but have not yet reached sustained profitability. During the three months ended December 31, 2007 Welch lost approximately \$310,000. We understand our consolidated performance will be negatively impacted unless Welch begins generating positive operating cash flow and achieves profitable status on a sustained basis for all Welch operations.

Improvement in our business depends on our ability to increase demand for our products and services.

Factors that could limit demand for our products and services are adverse events or economic or other conditions affecting markets for our products and services, potential delays in product development, product and service flaws, changes in technology, changes in the regulatory environment and the availability of competitive products and services.

Our business is subject to extensive and rigorous government regulation; failure to comply with applicable regulatory requirements could substantially harm our business.

Our tire recycling activities are subject to extensive and rigorous government regulation designed to protect the environment. The establishment and operation of plants for tire recycling are subject to obtaining numerous permits and complying with environmental and other government regulations. The process of obtaining required regulatory approvals can be lengthy and expensive. The Environmental Protection Agency and comparable state and local regulatory agencies actively enforce environmental regulations and conduct periodic inspections to determine compliance with government regulations. Failure to comply with applicable regulatory requirements can result in, among other things, fines, suspensions of approvals, seizure or recall of products, operating restrictions, and criminal prosecutions. Furthermore, changes in existing regulations or adoption of new regulations could impose costly new procedures for compliance, or prevent us from obtaining, or affect the timing of, regulatory approvals.

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The market in which we operate is highly competitive, fragmented and decentralized and our competitors may have greater technical and financial resources.

The market for our services is highly competitive, fragmented and decentralized. Many of our competitors are small regional or local businesses. Some of our larger competitors may have greater financial and technical resources than we do. As a result, they may be able to adapt more quickly to new

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or emerging technologies, changes in customer requirements, or devote greater resources to the promotion and sale of their services. Competition could increase if new companies enter the markets in which we operate or our existing competitors expand their service lines. These factors may limit or prevent any further development of our business.

Our success depends on the retention of our senior management and other key personnel.

Our success depends largely on the skills, experience and performance of our senior management. The loss of any key member of senior management could have a material adverse effect on our business.

Seasonal factors may affect our quarterly operating results.

Seasonality may cause our total revenues to fluctuate. We typically process fewer tires during the winter and experience a more pronounced volume reduction in severe weather conditions. In addition, a majority of our crumb rubber is used for playground and athletic surfaces, running tracks and landscaping/groundcover applications which are typically installed during the warmer portions of the year. Similar seasonal or other patterns may develop in our business.

Inflation and changing prices may hurt our business.

Generally, we are exposed to the effects of inflation and changing prices. Primarily because the largest component of our collection and disposal costs is transportation, we have been adversely affected by significant increases in the cost of fuel. Additionally, because we rely on floating-rate debt for certain financing arrangements interest rates fluctuations will have an effect on our financial performance.

If we acquire other companies or businesses we will be subject to risks that could hurt our business.

A significant part of our business strategy entails future acquisitions or significant investments in businesses that offer complementary products and services. Promising acquisitions are difficult to identify and complete for a number of reasons. Any acquisitions completed by our company may be made at a premium over the fair value of the net assets of the acquired companies and competition may cause us to pay more for an acquired business than its long-term fair market value. There can be no assurance that we will be able to complete future acquisitions on terms favorable to us or at all. In addition, we may not be able to integrate our Welch Products acquisition or any future acquired businesses, at all or without significant distraction of management into our ongoing business. In order to finance acquisitions, it may be necessary for us to issue shares of our capital stock to the sellers of the acquired businesses and/or to seek additional funds through public or private financings. Any equity or debt financing, if available at all, may be on terms which are not favorable to us and, in the case of an equity financing or the use of our stock to pay for an acquisition, may result in dilution to our existing stockholders.

As we grow, we are subject to growth related risks.

We are subject to growth-related risks, including capacity constraints and pressure on our internal systems and personnel. In order to manage current operations and any future growth effectively, we will need to continue to implement and improve our operational, financial and management information systems and to hire, train, motivate, manage and retain employees. We may be unable to manage such growth effectively. Our management, personnel or systems may be inadequate to support our operations, and we may be unable to achieve the increased levels of revenue commensurate with the increased levels of operating

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expenses associated with this growth. Any such failure could have a material adverse impact on our business, operations and prospects. In addition, the cost of opening new facilities and the hiring of new personnel for those facilities could significantly decrease our profitability, if the new facilities do not generate sufficient additional revenue.

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If we fail to maintain an effective system of internal controls, we may not be able to accurately report our financial results or prevent fraud. As a result, current and potential shareholders could lose confidence in our financial reporting, which would harm our business and the trading price of our stock.

Effective internal controls are necessary for us to provide reliable financial reports and effectively minimize the possibility of fraud and its impact on our company. If we cannot continue to provide financial reports or effectively minimize the possibility of fraud, our business reputation and operating results could be harmed.

In addition, we will be required as currently proposed to include the management reports on internal controls as part of our annual report for the fiscal year ending September 30, 2008, pursuant to Section 404 of the Sarbanes-Oxley Act of 2002, which requires, among other things, that we maintain effective internal controls over financial reporting and procedures. In particular, we must perform system and process evaluation and testing of our internal controls over financial reporting to allow management and our independent registered public accounting firm (commencing with the fiscal year ended September 30, 2009) to report on the effectiveness of our internal controls over financial reporting, as required by Section 404. Our compliance with Section 404 will require that we incur substantial accounting expense and expend significant management efforts.

We cannot be certain as to the timing of the completion of our evaluation and testing, the timing of any remediation actions that may be required or the impact these may have on our operations. Furthermore, there is no precedent available by which to measure compliance adequacy. If we are not able to implement the requirements relating to internal controls and all other provisions of Section 404 in a timely fashion or achieve adequate compliance with these requirements or other requirements of the Sarbanes-Oxley Act, we might become subject to sanctions or investigation by regulatory authorities such as the Securities and Exchange Commission or any securities exchange on which we may be trading at that time, which action may be injurious to our reputation and affect our financial condition and decrease the value and liquidity of our common stock.

Risks Related to the Securities Market

Our stock price may be volatile, which could result in substantial losses for our shareholders.

Our common stock is thinly traded and an active public market for our stock may not develop. Consequently, the market price of our common stock may be highly volatile. Additionally, the market price of our common stock could fluctuate significantly in response to the following factors, some of which are beyond our control: o we are now traded on the OTC Bulletin Board; o changes in market valuations of similar companies; o announcements by us or by our competitors of new or enhanced products, technologies or services or significant contracts, acquisitions, strategic relationships, joint ventures or capital commitments; o regulatory developments; o additions or departures of senior management and other key personnel; o deviations in our results of operations

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from the estimates of securities analysts; and of future issuances of our common stock or other securities.

We have options and warrants currently outstanding. Exercise of these options and warrant will cause dilution to existing and new shareholders. Future sales of common stock by Laurus and our existing stockholders could result in a decline in the market price of our stock.

As of December 31, 2007, we had options and warrants outstanding to purchase 10,545,758 additional shares for future issuance. These reserved shares relate to the following: 3,382,356 shares for issuance upon exercise of awards granted under our 1993 Stock Option Plan, 1996 Non-Employee Director Stock Option Plan, 2005 Stock Option Plan and 7,163,402 shares for issuance upon exercise of other stock options and stock purchase warrants. The exercise of our options and warrants will cause additional shares of common stock to be issued,

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resulting in dilution to investors and our existing stockholders. As of December 31, 2007, approximately 15 million shares of our common stock were eligible for sale in the public market. This represents approximately 48% of our outstanding shares of common stock. We have registered an additional 2,951,905 shares of common stock issuable upon exercise of remaining warrants owned by certain stockholders, therefore increasing the potential total shares of our common stock eligible for resale in the public market to approximately 18 million. Sales of a significant number of shares of our common stock in the public market could result in a decline in the market price of our common stock, particularly in light of the illiquidity and low trading volume in our common stock.

Our directors, executive officers and principal stockholders own a significant percentage of our shares, which will limit your ability to influence corporate matters.

Our directors, executive officers and other principal stockholders owned approximately 25 percent of our outstanding common stock as of December 31, 2007. Accordingly, these stockholders could have a significant influence over the outcome of any corporate transaction or other matter submitted to our stockholders for approval, including mergers, consolidations and the sale of all or substantially all of our assets and also could prevent or cause a change in control. The interests of these stockholders may differ from the interests of our other stockholders. During the fiscal year ended September 30, 2007, Laurus acquired 1,154,098 shares of our common stock upon partial exercise of its warrant on a cashless basis. In addition, Laurus can elect to acquire up to 4,811,905 shares of our outstanding stock by exercising its warrants for an aggregate exercise price of \$48,119. If Laurus were to acquire those shares, they would represent 16% of our outstanding shares of common stock at December 31, 2007. In addition, the limited number of shares held in public float effect the liquidity of our common stock. Third parties may be discouraged from making a tender offer or bid to acquire us because of this concentration of ownership.

We have never paid dividends on our capital stock and we do not anticipate paying any cash dividends in the foreseeable future.

We have paid no cash dividends on our capital stock to date and we currently intend to retain our future earnings, if any, to fund the development and growth of our business. In addition, our agreements with Laurus prohibit the payment of cash dividends. As a result, capital appreciation, if any, of our common stock will be shareholders' sole source of gain for the foreseeable future.

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Anti-takeover provisions in our charter documents and Delaware law could discourage potential acquisition proposals and could prevent, deter or delay a change in control of our company.

Certain provisions of our Restated Certificate of Incorporation and By-Laws could have the effect, either alone or in combination with each other, of preventing, deterring or delaying a change in control of our company, even if a change in control would be beneficial to our stockholders. Delaware law may also discourage, delay or prevent someone from acquiring or merging with us.

Environmental Liability

There are no known material environmental violations or assessments.

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Item 3. Controls and Procedures

Our management, with the participation of our chief executive officer and chief financial officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) as of December 31, 2007. In designing and evaluating our disclosure controls and procedures, we recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applied its judgement in evaluating the cost-benefit relationship of possible controls and procedures. Based on this evaluation, our chief executive officer and chief financial officer concluded that as of December 31, 2007, our disclosure controls and procedures were (1) designed to ensure that material information relating to the company, including our consolidated subsidiaries, is made known to our chief executive officer and chief financial officer by others within those entities, particularly during the period in which this report was being prepared and (2) effective, in that they provide reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms.

No change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) occurred during the fiscal quarter ended December 31, 2007 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

On October 1, 2007, we issued 8,000,000 shares of our unregistered common stock valued at \$2,800,000 in conjunction with the acquisition of Welch Products, Inc. See Note 4, "Acquisition of Subsidiary" of Notes to the Interim Consolidated Financial Statements included in this report. The issuance of these shares is exempt from registration under the Securities Act pursuant to Section 4(2) of the Securities Act.

Item 6. Exhibits

(a) Exhibits

2.1 Share Exchange Agreement among GreenMan Technologies,

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Inc., Welch Products, Inc. and the Stockholders of Welch Products, Inc., dated October 1, 2007 (filed as an Exhibit to GreenMan Technologies, Inc.'s Current Report on Form 8-K dated October 1, 2007 and incorporated herein by reference)

- 2.2 Escrow Agreement among GreenMan Technologies, Inc., Welch Products, Inc., the Stockholders of Welch Products, Inc. and Dreher, Simpson and Jensen, P.C., as Escrow Agent, dated October 1, 2007 filed as an Exhibit to GreenMan Technologies, Inc.'s Current Report on Form 8-K dated October 1, 2007 and incorporated herein by reference)
- 10.1 Consulting Agreement between GreenMan Technologies, Inc. and Bruce A. Boland, dated October 1, 2007 filed as an Exhibit to GreenMan Technologies, Inc.'s Current Report on Form 8-K dated October 1, 2007 and incorporated herein by reference)
- 10.2 Consulting Agreement between GreenMan Technologies, Inc. and John W. Brown, dated October 1, 2007 filed as an Exhibit to GreenMan Technologies, Inc.'s Current Report on Form 8-K dated October 1, 2007 and incorporated herein by reference)
- 10.3 Agreement among GreenMan Technologies, Inc., Welch Products, Inc., the Stockholders of Welch Products, Inc. and Laurus Master Fund Ltd., dated October 1, 2007 filed as an Exhibit to GreenMan Technologies, Inc.'s Current Report on Form 8-K dated October 1, 2007 and incorporated herein by reference)
- 31.1(1) Certification of Chief Executive Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a)
- 31.2(1) Exhibit 31.2 Certification of Chief Financial Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a)
- 32.1(1) Certification of Chief Executive Officer under 18 U.S.C Section 1350
- 32.2(1) Certification of Chief Financial Officer under 18 U.S.C Section 1350

(1) Filed herewith.

(b) Reports on Form 8-K

Form 8-K dated October 1, 2007, filed with the Securities and Exchange Commission on October 5, 2007, with respect to the acquisition of Welch Products, Inc.

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SIGNATURES

Pursuant to the requirements of the Securities Act of 1934, the Registrant certifies that it has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

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By: GreenMan Technologies, Inc.

/s/ Lyle Jensen

Lyle Jensen
Chief Executive Officer

By: GreenMan Technologies, Inc.

/s/ Charles E. Coppa

Chief Financial Officer, Treasurer,
Secretary