

ENERGY TECHNOLOGIES LIMITED (ASX: EGY)

ABN 38 002 679 469

Half-Year Financial Report

for the half-year ended 31 December 2015

Corporate Information

ABN 38 002 679 469

Directors

Alfred J. Chown (Acting Chairman, Managing Director)

Gary A. Ferguson (Non-Executive Director)

Philip W. Dulhunty (Non-Executive Director)

Yulin Hu (Non-Executive Director)

Company Secretary

Gregory R. Knoke

Registered Office

102 Old Pittwater Road

BROOKVALE NSW 2100

Bankers

National Australia Bank Limited

NAB House, 255 George Street

Sydney NSW 2000

Share Register

Computershare Investor Services Pty Ltd

Level 4, 60 Carrington Street

Sydney NSW 2000

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Auditors

Russell Bedford NSW

Chartered Accountants

Level 29, Suncorp Place

259 George Street

SYDNEY NSW 2000

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Directors' Report

Your Directors submit their report for the half-year ended 31 December 2015

DIRECTORS

The names and details of the Company's Directors in office during the half-year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Alfred J. Chown (Chairman, Managing Director) Appointed 4 July 1997.

Gary A. Ferguson (Non-Executive Director) Appointed on 1 October 2012.

Philip W. Dulhunty (Non-Executive Director) Appointed 3 December 2014.

Yulin Hu (Non-Executive Director) Appointed 25 November 2015.

Meiping Hu (Alternate Director to Yulin Hu) Appointed 25 November 2015.

PRINCIPAL ACTIVITIES AND SIGNIFICANT CHANGES IN NATURE OF ACTIVITIES

The principal activities during the half-year of entities within the economic entity were:

- the manufacture and sale of specialist industrial cables
- development of energy generation technology

REVIEW AND RESULTS OF OPERATIONS

The half year to 31 December 2015 continued to be very challenging for the group, with poor results reflecting the market downturn. EGY reported a consolidated loss after tax and minorities of \$1,379,079 in comparison with the half year to 31 December 2014 result of a consolidated loss of \$27,156. Overall revenue from operating activity at \$4,907,800 was 8.5% down on the previous reporting period. EGY's wholly owned subsidiary Bambach Wires and Cables Pty Ltd (BWC) reported a loss after tax of \$1,093,353 compared to the reported loss for the six months to 31 December 2014 of \$597,365. BWC continues to focus on the development of new markets and new and improved branded products with an amount of \$360,000 accrued this financial year to date for FY2016 R&D, and a series of new cable products to be launched over the next six months.

The parent entity has reported a loss after tax of \$284,870 (December 2014 half year profit after tax of \$592,418).

During the period EGY raised \$394,793 through equity issues as approved at the AGM held on 19 November 2015. In addition EGY issued 1,770 convertible notes, as approved by shareholders at the AGM held on 19 November 2015, with a face value of \$1,000. Funds raised have been applied for specific factory capital expenditure and to meet working capital requirements. Subsequent to balance date 500 convertible notes were converted to equity, refer Note10.

The bulk of the losses for the half year occurred in the second quarter-October/November/December which saw sales slow dramatically at a time when sales are normally strong. The slowdown was unexpected and a combination of the continued decline in mining and a dearth of infrastructure projects.

At the time of writing the company has experienced a significant upswing in order intake over January/February and in general is experiencing much more robust market conditions as infrastructure projects finally start to come on stream. Whilst day to day sales remain sluggish, bidding for project work has escalated and more importantly projects are now finally being awarded initially to the major contractors and then by the contractors to their suppliers and subcontractors of which Bambach is one.

Funds raised by the company in November aided the company in handling the first half loss and the focus is now on building the business and sales to reverse the loss in the second half. Signs thus far have been encouraging with an uptick in orders for cables associated with both rail and road builds. Going forward the company is positioning itself for defence related contracts and other OEM contracts with major manufacturers. A regime of product development and testing is underway which will see new products ready for sale in 2016 with expected demand to occur in 2017 and picking up through the 2018-2022 period. Simultaneously the company is upgrading its production capabilities which will generate a 12-15% gross margin improvement over the medium term.

Directors' Report (Cont'd)

The company has strategically positioned itself to supply to both civil and defence infrastructure projects in the belief that Australia must undertake significant infrastructure development to maintain its standard of living. These projects are now starting to occur with Sydney currently leading the way, but other states also have a large amount of projects to be undertaken. The growth of the company will follow the level of Australia-wide infrastructure and defence spend, aided by a low Australian dollar. With success at home, and a benign exchange rate, the company will then be well positioned to export quality and proven product for overseas projects.

In light of their firm belief in the company strategy the Directors intend to raise further funds through an equity issue before end of FY2016.

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration under Section 307C of the Corporations Act 2001 is set out on page 06 and forms part of the Directors' Report for the half-year ended 31 December 2015.

Signed in accordance with a resolution of the Directors.



Alfred J Chown
Managing Director
Sydney, 29 February 2016



Russell Bedford NSW

Chartered Accountants

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29 February 2016

The Board of Directors
Energy Technologies Limited
102 Old Pittwater Road
Brookvale NSW 2100

Dear Members of the Board

Lead Auditor's Independence Declaration Under Section 307C of the Corporations Act 2001

As the lead audit partner for the review of the financial statements of Energy Technologies Limited for the half year ended 31 December 2015, I declare that, to the best of my knowledge and belief there have been no contraventions of:

- the auditor independence requirements of the *Corporations Act 2001* in relation to this review; and
- any applicable code of professional conduct in relation to the review.

Yours sincerely

RUSSELL BEDFORD NSW

A handwritten signature in blue ink, appearing to read 'Gregory Ralph', with a horizontal line underneath.

GREGORY RALPH M.Com., F.C.A.

Partner

Condensed Consolidated Statement of Profit or Loss

for the half-year ended 31 December 2015

		CONSOLIDATED	
		31 December	31 December
		2015	2014
		\$	\$
<u>Continuing Operations</u>			
Sales revenue	3(i)	4,907,800	5,360,488
Other revenues	3(i)	400,718	1,233,586
Total revenue from continuing operations		5,308,518	6,594,074
Cost of sales		(4,062,739)	(4,225,839)
Marketing expenses		(27,175)	(27,558)
Occupancy expenses		(225,083)	(269,359)
Administration expenses		(1,828,019)	(1,749,526)
Depreciation and amortisation expenses		(118,350)	(52,483)
Other expenses		(67,837)	(71,115)
PROFIT/(LOSS) BEFORE FINANCE COSTS, INCOME TAX		(1,020,685)	198,194
Finance costs	3(ii)	(354,546)	(250,879)
(LOSS) BEFORE INCOME TAX		(1,375,231)	(52,685)
INCOME TAX BENEFIT/(EXPENSE)		(4,704)	3,320
(LOSS) FOR THE PERIOD		(1,379,935)	(49,365)
(LOSS) ATTRIBUTABLE TO:			
Owners of the parent		(1,379,079)	(27,156)
Non-controlling interest		(856)	(22,209)
		(1,379,935)	(49,365)
Earnings per Share			
From continuing operations:			
• Basic loss per ordinary share (cents)		(0.57)	(0.01)
• Diluted loss per ordinary share (cents)		(0.57)	(0.01)

The condensed consolidated statement of profit or loss should be read in conjunction with the accompanying notes.

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the half-year ended 31 December 2015

	CONSOLIDATED	
	31 December 2015	31 December 2014
(LOSS) FOR THE PERIOD	(1,379,935)	(49,365)
<u>OTHER COMPREHENSIVE INCOME</u>		
Items that may be reclassified subsequently to profit or loss		
Movement in foreign exchange relating to translation of controlled foreign entities	(2,602)	(1,275)
Exchange differences on foreign exchange relating to minorities	(2,602)	(1,275)
	(5,204)	(2,550)
TOTAL COMPREHENSIVE (LOSS)	(1,385,139)	(51,915)
TOTAL COMPREHENSIVE (LOSS) ATTRIBUTABLE TO:		
Owners of the parent	(1,381,681)	(28,431)
Non-controlling interest	(3,458)	(23,484)
	(1,385,139)	(51,915)

The condensed consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Condensed Consolidated Statement of Financial Position

as at 31 December 2015

	CONSOLIDATED	
	31 December 2015	30 June 2015
	\$	\$
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	43,912	99,317
Trade and other receivables	2,345,587	2,891,736
Inventories	3,606,191	3,502,978
Other current assets	283,726	361,127
TOTAL CURRENT ASSETS	6,279,416	6,855,158
NON CURRENT ASSETS		
Plant & equipment	4 2,151,491	2,024,265
Intangible assets	283,513	290,236
Deferred tax asset	219,180	223,884
Investments accounted for using the equity method	5 -	-
TOTAL NON-CURRENT ASSETS	2,654,184	2,538,385
TOTAL ASSETS	8,933,600	9,393,543
CURRENT LIABILITIES		
Trade and other payables	2,832,579	3,293,632
Financial liabilities	1,693,326	2,488,449
Provisions	587,217	564,643
TOTAL CURRENT LIABILITIES	5,113,122	6,346,724
NON-CURRENT LIABILITIES		
Financial liabilities	6 4,616,382	2,904,307
Provisions	77,322	35,392
TOTAL NON-CURRENT LIABILITIES	4,693,704	2,939,699
TOTAL LIABILITIES	9,806,826	9,286,423
NET ASSETS	(873,226)	107,120
EQUITY		
Issued capital	7 8,779,071	8,374,278
Reserves	(1,052,378)	(1,049,776)
Accumulated losses	(8,022,531)	(6,643,452)
Equity attributable to owners of the parent	(295,838)	681,050
Non-controlling interest	(577,388)	(573,930)
TOTAL EQUITY	(873,226)	107,120

The condensed consolidated statement of financial position should be read in conjunction with the accompanying notes.

Condensed Consolidated Statement of Changes in Equity

for the half-year ended 31 December 2015

	Issued Capital \$	Reserves \$	Accumulated Losses \$	Non- Controlling Interest \$	Total \$
Balance at 1.7.2014	8,374,278	(1,045,254)	(6,213,492)	(523,830)	591,702
Comprehensive income					
Loss for the period	-	-	(27,156)	(22,209)	(49,365)
Other comprehensive (loss) for the period, net of income tax	-	(1,275)	-	(1,275)	(2,550)
Total comprehensive (loss) for the period	-	(1,275)	(27,156)	(23,484)	(51,915)
Transactions with owners, in their capacity as owners, and other transfers					
Contributions of Equity	-	-	-	-	-
Balance at 31.12.2014	8,374,278	(1,046,529)	(6,240,648)	(547,314)	539,787
Balance at 1.7.2015	8,374,278	(1,049,776)	(6,643,452)	(573,930)	107,120
Comprehensive income					
Loss for the period	-	-	(1,379,079)	(856)	(1,379,935)
Other comprehensive (loss) for the period, net of income tax	-	(2,602)	-	(2,602)	(5,204)
Total comprehensive (loss) for the period	-	(2,602)	(1,379,079)	(3,458)	(1,385,139)
Transactions with owners, in their capacity as owners, and other transfers					
Contributions of Equity	404,793	-	-	-	404,793
Balance at 31.12.2015	8,779,071	(1,052,378)	(8,022,531)	(577,388)	(873,226)

The condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Condensed Consolidated Statement of Cash Flows

for the half-year ended 31 December 2015

	CONSOLIDATED	
	31 December 2015	31 December 2014
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	5,922,957	6,528,811
Payments to suppliers and employees	(6,648,370)	(6,626,712)
Borrowing costs	(308,309)	(250,879)
NET CASH FLOWS (USED IN) OPERATING ACTIVITIES	(1,033,722)	(348,780)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(238,853)	(17,869)
Proceeds from sale of property, plant and equipment	273	23,409
Proceeds from sale of financial assets	-	5,716
NET CASH FLOWS (USED IN) INVESTING ACTIVITIES	(238,580)	11,256
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds of issue of shares	404,793	-
Proceeds of issue of convertible notes	500,000	2,100,000
Proceeds from borrowings	456,422	-
Repayment of borrowings	(144,877)	(254,302)
NET CASH FLOWS PROVIDED BY (USED IN) FINANCING ACTIVITIES	1,216,338	1,845,698
NET INCREASE/(DECREASE) IN CASH HELD	(55,964)	1,508,174
Cash at beginning of the financial period	99,317	65,609
Effects of exchange rate fluctuations on the balances of cash held in foreign currencies	559	3,739
CLOSING CASH BALANCE AT END OF FINANCIAL PERIOD	43,912	1,577,522

The condensed consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the Half –Year Financial Statements

31 December 2015

1. BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT

(a) Basis of Preparation

These general purpose financial statements for the interim half-year reporting period ended 31 December 2015 have been prepared in accordance with requirements of the Corporations Act 2001 and Australian Accounting Standard AASB 134 “Interim Financial Reporting”. The group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

The half-year financial report is intended to provide users with an update on the latest annual financial statements of Energy Technologies Limited and its controlled entities (the Group). As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Group. It is therefore recommended that this financial report be read in conjunction with the Annual Financial Report of Energy Technologies Limited as at 30 June 2015 together with any public announcements made during the half-year.

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements, except in relation to some of the matters discussed at Note 1(b) below.

(b) Going Concern

The consolidated entity incurred a loss after tax and non-controlling interest of \$1,379,079 (2014:\$27,156) and incurred negative cash flows from operations of \$1,181,409 (2014:\$348,780) for the half year ended 31 December 2015. Furthermore, there was a 8.5% reduction in sales revenue from the comparative half year.

At 31 December 2015 the consolidated entity had a net deficiency of \$873,226 including the recognition of deferred tax assets of \$219,180 and intangible assets of \$283,513. At balance date, current assets exceeded current liabilities by \$1,166,294. Subsequent to the 31 December 2015, \$500,000 of outstanding notes have been converted to equity, which further improves the financial position.

These matters give rise to a material uncertainty that may cast significant doubt upon the consolidated entity's ability to continue as a going concern. The ongoing operation of the consolidated entity is dependent upon it:

- (a) achieving cash flow positive trading operations from its existing business;
- (b) continued financial support from its current financiers and directors; and
- (c) raising further equity or long term funding over the ensuing 12 months.

Management consider sales revenues were negatively impacted by the continued decline in mining investment and a dearth of infrastructure projects. To combat the impact of the mining downturn the company has embarked on increasing its non-mining range of cable products and to this end has brought two new product lines to market and has further lines undergoing development and testing to be ready for sale in 2016. It is expected that these new offerings will reverse the decline experienced in sales and generate a significant improvement in overall revenues.

Management have prepared a cash flow projection for the period to 31 March 2017 that supports the ability of the consolidated entity to continue as a going concern. The calendar 2016 budget on which the cash flow projection is based forecasts a 36% increase in sales revenues for calendar 2016 from the annualised HY2015 actual sales, and. The cash flow projection includes a 36% increase in sales over the annualised HY2015 result and assumes new equity investment of \$1,000,000. A temporary revolving loan facility of \$750,000 has been provided by the directors (\$300,000 of which was contributed during the period). The facility will be repaid as funds permit. The projection forecasts the facility to be fully repaid from operating cash surpluses generated in the second half of calendar 2016.

Notes to the Half –Year Financial Statements

31 December 2015

1. BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT (Cont'd)

(b) Going Concern (Continued)

The sales to date for the current half year fell short of budget by 21% however, based on unfilled February orders and job quotes submitted the Directors expect this to be timing difference only which will be made good in subsequent months. The Directors are still confident of achieving the calendar 2016 sales budget including expected sales from tendering to existing major suppliers and contractors, and winning major project works in NSW and later Western Australia and Victoria with respect to announced infrastructure projects.

Apart from the introduction of new products into both existing and new market segments, the company has embarked on an upgrade of its manufacturing capabilities. The Business Plan of the company calls for the installation of new equipment that will cut existing manufacturing costs by between 10-15% and simultaneously expand the size of cables able to be manufactured. The company has installed some of this equipment in December 2015/January 2016. The expected margin improvement of 3% from this first round of is reflected in the forecast from February 2016. The company intends to obtain investment funds for the next stage of equipment purchases in coming months.

Directors are in discussion with potential investors and their advisors and pursuant to those advices are confident of raising the necessary investment funds.

As a consequence of these matters, the Directors believe the consolidated entity will continue as a going concern and it is appropriate to prepare these financial statements on that basis.

In the event that the consolidated entity is unable to achieve the matters detailed above, it may not be able to continue as a going concern and therefore the consolidated entity may not be able to realise its assets and extinguish its liabilities in the ordinary course of operations and at the amounts stated in the financial statements.

No adjustments have been made to the recoverability and classification of recorded asset values and the amount and classification of liabilities that might be necessary should the consolidated entity and company not continue as going concerns.

(c) New and Revised Accounting Requirements Applicable to the Current Half-Year Reporting Period

The Group adopted the following Australian Accounting Standard from the mandatory application date of 1 January 2015:

AASB 2014-1: Amendments to Australian Accounting Standards (Part E)

Part E of this Standard is applicable to annual reporting periods beginning on or after 1 January 2015 and defers the application date of AASB 9 (December 2010) to annual reporting periods beginning on or after 1 January 2018. This part also makes consequential amendments to hedge accounting disclosures set out in AASB 7: Financial Instruments: Disclosures, and to AASB 132: Financial Instruments: Presentation to permit irrevocable designation of "own use contracts" as measured at fair value through profit or loss if the designation eliminates or significantly reduces an accounting mismatch. Management believes that there will not be any significant impact on the Group's financial statements on adoption of this part of the Standard.

Notes to the Half –Year Financial Statements

31 December 2015

2. SEGMENT INFORMATION

Primary reporting - Business segments

	Cables/Energy Infrastructure		Investment		Total	
	31/12/2015	31/12/2014	31/12/2015	31/12/2014	31/12/2015	31/12/2014
	\$	\$	\$	\$	\$	\$
Revenue	5,308,518	5,753,951	-	840,123	5,308,518	6,594,074
Segment result before income tax	(964,361)	(519,103)	(410,870)	466,418	(1,375,231)	(52,685)
Income tax expense(credit)	4,704	(3,320)	-	-	4,704	(3,320)
Profit after income tax	(969,065)	(515,783)	(410,870)	466,418	(1,379,935)	(49,365)
Segment Assets	8,603,032	8,217,896	330,568	1,812,114	8,933,600	10,030,010
Segment Liabilities	8,542,158	6,546,310	1,264,668	2,943,913	9,806,826	9,490,223

The group's primary business segment is specialist and industrial cables and energy generation technology.

3. REVENUE, INCOME AND EXPENSES

(i) Revenue from continuing operations

	31 December 2015	31 December 2014
	\$	\$
Sale of goods	4,907,800	5,360,488
Other Revenues:		
Federal R&D Grant	360,000	360,000
Foreign exchange gains	-	14,203
Finance revenue	30	735
Discount on acquisition of subsidiary	-	839,039
Other income	40,688	19,609
Total Other Revenues	400,718	1,233,586
	5,308,518	6,594,074
(ii) Finance costs		
Loans and convertible notes	324,546	150,879
Borrowing costs	30,000	100,000
	354,546	250,879

Notes to the Half –Year Financial Statements

31 December 2015

4. PLANT AND EQUIPMENT

Acquisitions and disposals

During the half-year ended 31 December 2015 the group acquired fixed assets at a cost of \$238,853 (2014: \$17,869).

Plant and equipment disposals during the half year ended 31 December 2015 provided net proceeds of \$273 (2014: \$23,409).

5. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

						Consolidated	
						31 December 2015 \$	30 June 2015 \$
Associated Company						-	-
An Interest is held in the following associated company						-	-
Name	Principal Activity	Country of Incorporation	Shares	Ownership Interest		Carrying Amount of Investment	
Unlisted:				%	%	\$	
				Dec 2015	Jun 2015		
Dulhunty Poles Pty Limited	Manufacture & Sale of Glass Fibre Reinforced Cement Composite Power Poles	Australia	Ordinary	36	36	-	
						-	

6. INTEREST-BEARING LOANS AND BORROWINGS (Non-Current)

	31 December 2015 \$	30 June 2015 \$
Convertible Notes		
2,800 notes of \$1,000 each convertible on or before 31/10/2016	-	2,800,000
3,200 notes of \$1,000 each convertible on or before 31/12/2018	3,200,000	-
1,270 notes of \$1,000 each convertible on or before 31/12/2020	1,270,000	-
Non-Current Convertible Notes at 31 December 2015	4,470,000	2,800,000
Hire purchase liabilities		
Amount due greater than 12 months	146,382	104,307
	4,616,382	2,904,307

Notes to the Half –Year Financial Statements

31 December 2015

6. INTEREST-BEARING LOANS AND BORROWINGS (Cont'd)

During the half-year ended 31 December 2015 the group repaid \$144,877 (2014: \$254,302) of both long and short term interest bearing debt and raised \$1,770,000 (2014: \$2,100,000) of long term interest bearing debt.

This raising consists of 1,770 convertible notes, each with a face value \$1,000, as approved at the 2015 Annual General Meeting. The notes are interest bearing and interest is calculated on the face value of each note at a rate which is eight percentage points higher than the RBA cash rate (totalling 10% per annum at balance date) from time to time paid monthly in arrears, until the earlier of the Maturity Date or the conversion of the Convertible Note.

Of the convertible notes issued 500 convertible notes have a maturity date of 31 December 2018 and these notes may be converted to ordinary shares at any time up to maturity date at a fixed price of \$0.01, subject to the provisions of the note document. The further 1,270 convertible notes have a maturity date of 31 December 2020 and these notes may be converted to ordinary shares at any time up to maturity date at a fixed price of \$0.015, subject to the provisions of the note document. (Refer also Note 10 - Subsequent Events).

Of the 2,800 convertible notes on issue at 1 July 2015, 2,700 of these notes maturities have been extended to 31 December 2018 in agreement with the note holders.

7. CONTRIBUTED EQUITY

	31 December 2015	30 June 2015
	\$	\$
Ordinary shares		
(i) Ordinary shares	8,779,071	8,374,278
Fully paid ordinary shares carry one vote per share and carry the right to dividends.		
	No. of shares	\$
Movement in ordinary shares on issue		
At 1 January 2015	224,528,463	8,374,278
At 30 June 2015	224,528,463	8,374,278
At 1 July 2015	224,528,463	8,374,278
Shares issued during the period		
- 16 October 2015 (at \$0.01 per share)	33,679,269	336,793
- 9 December 2015 (at \$0.0125 per share)	800,000	10,000
- 18 December 2015 (at \$0.01 per share)	12,500,000	125,000
- 18 December 2015 (at \$0.01 per share)	5,000,000	50,000
Less: transaction costs on issue of shares	-	(117,000)
At 31 December 2015	276,507,732	8,779,071

Notes to the Half –Year Financial Statements

31 December 2015

8. CONTINGENT LIABILITIES

Contingent liabilities of the group are materially as disclosed in the 30 June 2015 Annual Report.

9. RELATED PARTIES

During the half year ended 31 December 2015, the group purchased new fixed assets by way of Hire Purchase agreement with a director Mr Alfred Chown. The amount financed was \$40,000 commencing November 2015 for a term of 48 months. The terms and conditions are no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to unrelated entities on an arms-length basis.

Loans by Directors and Key Management

During the half year to 31 December 2015 a director, Mr Gary Ferguson, was issued with 300 convertible notes each with a face value of \$1,000 (refer Note 6). Funding for the convertible notes included conversion of a previous unsecured loan to subsidiary Bambach Wires and Cables Pty Ltd of \$240,000 (2014: \$240,000).

During the half year to 31 December 2015 a director, Mr Alfred Chown, was issued with 250 convertible notes each with a face value of \$1,000 (refer Note 6). Funding for the convertible notes was in settlement of a finance facility previously provided through his related entity Bamtech Finance Pty Ltd.

During the half year to 31 December 2015 Director Mr Alfred Chown loaned subsidiary Bambach Wires and Cables Pty Ltd \$200,000 under a Revolving Loan Facility. An entity related to director Mr Yulin Hu loaned Bambach Wires and Cables Pty Ltd \$100,000. This loan is unsecured and interest is payable at the rate of 10% per annum.

A key management personnel has a loan of \$20,000 (2014:\$20,000) to subsidiary Bambach Wires and Cables Pty Ltd. This loan is unsecured and repayable on demand. Interest is payable at the rate of 12% percent per annum.

10. EVENTS SUBSEQUENT TO BALANCE DATE

Subsequent to balance date an entity related to director Mr Yulin Hu converted 500 convertible notes with face value of \$1,000 to equity at an issue price of \$0.01, as approved at the Annual General Meeting of the company held on 19 November 2015.

Other than as disclosed above, there has not arisen since the end of the financial period any matter or circumstance which, in the opinion of the directors of the Company, will significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in subsequent financial years.

Notes to the Half –Year Financial Statements

31 December 2015

Directors' Declaration

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 7 to 17 are in accordance with the Corporations Act 2001, including:
 - a) complying with Accounting Standard AASB 134: Interim Financial Reporting; and
 - b) giving a true and fair view of the economic entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that date.
2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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



Alfred J. Chown
Director
Sydney 29 February 2016



Russell Bedford NSW

Chartered Accountants

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Independent Review Report To The Members of Energy Technologies Limited

Report on the Half-year Financial Report

We have reviewed the accompanying half-year financial report of Energy Technologies Limited, which comprises the condensed consolidated statement of financial position as at 31 December 2015, the condensed consolidated statement of profit or loss, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

Directors' Responsibility for the Half-year Financial Report

The directors of Energy Technologies Limited are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such control as the directors determine is necessary to enable the presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the company's financial position as at 31 December 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Energy Technologies Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review for a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Our review did not involve an analysis of the prudence of business decisions made by directors or management.

Matters Relating to Electronic Publication of the Reviewed Financial Report

This review report relates to the financial report of Energy Technologies Limited and its controlled entities for the half-year period ended 31 December 2015 included on the website of Energy Technologies Limited. The directors of the company are responsible for the integrity of the website and we have not been engaged to report on this integrity. This review report refers only to the subject matter described above. It does not provide an opinion on any other information which may have been hyperlinked to or from the financial report. If users of the financial report are concerned with the inherent risk arising from publication on a website, they are advised to refer to the hard copy of the reviewed financial report to confirm the information contained in this website version of the financial report.

Independence

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Energy Technologies Limited is not in accordance with the Corporations Act 2001 including:

- i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and
- ii) complying with Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 1(b) in the financial report, which advises that during the half year ended 31 December 2015 the consolidated entity incurred a net loss after tax of \$1,379,935 and incurred negative cash flows from operations of \$1,033,722. In addition, Net Liabilities at 31 December 2015 were \$873,226. These conditions, along with the other matters set forth in Note 1(b), indicate the existence of material uncertainties which may cast significant doubt about the consolidated entity's ability to continue as a going concern.

RUSSELL BEDFORD NSW
Chartered Accountants



GREGORY RALPH M.Com., F.C.A.
Partner
Sydney, 29 February 2016