



ENERGY TECHNOLOGIES LIMITED

A.B.N. 38 002 679 469

102 Old Pittwater Road
Brookvale NSW 2100

Tel: +61 2 8978 2610 Fax: +61 2 9939 9812
www.energytechnologies.com.au

Cleansing Notice – Convertible Note Issue

This is a Notice given under section 708A(12C)(e) of the Corporations Act 2001 (Cth)
(inserted by ASIC Class Order CO 10/322)

This Cleansing Notice has been prepared by Energy Technologies Limited (“EGY”) for the purposes of section 708A (12C)(e) of the Corporations Act 2001 (Cth) (as inserted by ASIC Class Order CO 10/322). The issue of this Cleansing Notice enables the fully paid ordinary shares in the capital of the Company issued on the conversion of the convertible notes issued by the Company on the terms described below to be on-sold to retail investors without further disclosure.

This Cleansing Notice is important and should be read in its entirety.

1. Background and contents of Cleansing Notice

EGY has so far secured commitments to raise \$700,000.00 by the issue of secured convertible notes, from a possible facility limit of \$1,000,000.00. The commitments were received as a result of personal offers made to investors, and acceptance of the offers does not result in a breach of the 20 investors/ \$2 million ceiling set out in s708 of the Corporations Act.

If the facility is fully drawn down, it is expected to result in the issue of 700 Convertible Notes each with a face value of one thousand dollars to investors. Shareholder approval to the issue of the Convertible Notes was given at the Annual General Meeting of the company held on 5 December 2013.

The terms of the Convertible Notes are set out in a Convertible Note Deed Poll (“Deed Poll”) executed by the Company in favour of the Note holders, and are summarised in section 4 below.

The Convertible Notes are for a principal amount of one thousand dollars (\$1,000.00) per note, with a minimum subscription of 25 notes per investor. The Convertible Notes are paid for in full on subscription, which will be at a time nominated by EGY by notice to the investor. Each investor will be paid interest at the rate of one per cent (1%) per annum on the amount of their commitment from the time of commitment. Each Convertible Note will bear interest at the rate which is eight percentage points higher than the RBA Cash Rate from time to time, from subscription until conversion. Interest is payable monthly in arrears. The Convertible Notes will mature on 1 November 2016.

On 9 December 2013, EGY issued 216 Notes under the facility. A cleansing notice in respect of those Notes was given on 6 December 2013. EGY expects to issue today, or within the next two business days, a further 250 convertible notes under the facility.

The Directors consider that the raising of capital by the issue of Convertible Notes is in the best interests of EGY. The funds raised will be used:

- (a) partly to partly fund the payments by EGY to the Vendor of Bambach Wires and Cables Pty Ltd (“BWC”); and
- (b) partly for general working capital purposes.

This Cleansing Notice sets out the following:

(a) in relation to the Convertible Notes:

- (1) the effect of the issue on the Company;
- (2) a summary of the rights and liabilities attaching to the Convertible Notes; and
- (3) a summary of the rights and liabilities attaching to the shares that will be issued on conversion of the Convertible Notes; and

(b) any information that:

- (1) has been excluded from continuous disclosure notice in accordance with the ASX Listing Rules; and
- (2) is information that investors and their professional advisors would reasonably require for the purpose of making an informed assessment of:
 - (A) the assets and liabilities, financial position and performance, profits and losses and prospects of the Company; and
 - (B) the rights and liabilities attaching to the Shares; and
- (3) and other information relating to the Company's status as a disclosing entity and where document may be obtained.

2. The effect of the issue on the structure of the Company

2.1 Effect of the issue on the Company

The principal effects of the issue of the Convertible Notes on EGY will be to:

- (a) increase the Company's cash reserves by \$250,000.00;
- (b) give rise to the Company having a liability for the amount of the face value of the Convertible Notes;
- (c) if the Convertible Notes are converted, either whole or in part, increase the number of shares on issue as a consequence of the issue of shares on the conversion of the Convertible Notes.

2.2 Pro-forma balance sheet of the Company taking into account issue of the Convertible Security

- (a) Set out below is a pro-forma consolidated balance sheet of the Company, as at 30 June 2013, based on the consolidated balance sheet of the Company adjusted to reflect the Convertible Note issue already made, and the convertible note issue that will be made following this notice, and prepared on the basis of the accounting policies normally adopted by the Company
- (b) The pro-forma financial information is presented in an abbreviated form in so far as it does not include all of the disclosures required by Australian Accounting Standards applicable to the annual financial statements. The pro-forma financial information is not audited. The classification of the allocations between debt and equity for the Convertible Notes may change in the future.

Pro-forma Statement of Financial Position as at 30 June 2013

	Actual (adjusted pro- forma for Notes issued 9 December 2103)	Pro-forma adjustments	Pro-forma
	30 June 2013		30 June 2013
	\$,000's	\$,000's	\$,000's
Current Assets			
Cash and cash equivalents	285	250	535
Trade and other receivables	1,711		1,711
Inventories	3,014		3,014
Financial Assets	5		5
Other Current Assets	357		357
Total Current Assets	5,372	250	5,622
Non-current Assets			
Property Plant & Equipment	1,382		1,382
Deferred tax assets	216		216
Intangible assets	14		14
Total non-current assets	1,612		1,612
Total assets	6,984	250	7,234
Current Liabilities			
Trade and other payables	2,623		2,623
Financial liabilities	1,889		1,889
Short-term provisions	493		493
Total Current Liabilities	5,005		5,005
Non-current liabilities			
Financial liabilities	1,344	250	1,594
Other non-current liabilities	583		583
Total non-current liabilities	1,927	250	2,177
Total liabilities	6,932	250	7,182
Net assets	52		52
Equity			
Issued capital	7,717		7,717
Reserves	(1,980)		(1,980)
Accumulated losses	(5,226)		(5,226)
Parent interest	511		511
Non-controlling interest	(459)		(459)
Total equity	52		52

2.3 Potential effect on share structure

- (a) As at the date of this Cleansing Notice, the issued capital of the Company is 179,695,129 ordinary shares.
- (b) The Company will, pursuant to the financing facility, issue 250 Convertible Notes at \$1,000 per convertible note in order for the Company to raise a total of \$250,000.00.

- (c) The capital structure of the company will be affected by the conversion of the Convertible Notes by the Note holders which will result in additional shares being issued, and the liability position of the company decreasing accordingly.
- (d) The number of shares issued under each convertible note will be one hundred thousand (100,000).
- (e) The Convertible Notes can be converted at any time prior to the Maturity Date at the request of the Note holder, or they will automatically be redeemed (by repayment) on the Maturity Date.
- (f) If the Note holders convert the maximum number of 250 Convertible Notes, then 25,000,000 (twenty five million) new shares would be issued. The actual effect on the share capital of the Company will depend on how many Convertible Notes are converted.

3. Rights and liabilities attaching to the convertible notes

A summary of the key terms of the Convertible Note facility is set out in Annexure A.

4. Rights and liabilities attaching to shares issued under the convertible notes

The shares to be issued to the Note holders on the conversion of the Convertible Notes will rank equally in all respects with all of the Company's existing shares. The rights attaching to shares, including new shares to be issued to the Note holders on the conversion of the Convertible Notes, are set out in the Company's constitution, and, in certain circumstances, regulated by the Corporations Act, the ASX Listing Rules and the general law.

The company intends to apply to ASX Limited for quotation of the shares issued on conversion of any Convertible Notes.

Full details of the rights and liabilities attaching to shares are set out in the Constitution, a copy of which can be inspected, free of charge, at the Company's registered office during normal business hour.

The following is a broad summary of the rights, privileges and restrictions attaching to all shares. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of shareholders.

Voting

Every holder of shares present in person or by proxy, attorney or representative at a meeting of shareholders has one vote on a vote taken by a show of hands and, on a poll, one vote for every fully paid share held by him or her.

Dividends

The company's directors may declare a dividend is payable and fix the amount and the time for and method of payment.

All fully paid shares, on which any dividend is declared or paid, are entitled to participate in that dividend equally.

Transfer of shares

Shares may be transferred, and the transfers may be registered, in any manner required or permitted by the ASX Listing Rules. The Company must comply with and give effect to those rules and it may, in accordance with those rules, decline to issue certificates for holdings of shares.

Meetings and notice

Each shareholder is entitled to receive notice of and to attend general meetings of the Company and to receive all notices required to be sent to shareholders under the Constitution.

Issue of further shares

The company's directors may allot, issue or grant options in respect of, further shares on such terms and conditions as they see fit, subject to compliance with the Corporations Act and the ASX Listing Rules.

Variation of rights

If at any time the share capital of the company is divided into different classes of shares, the rights attached to any class may be varied or cancelled with the sanction of a special resolution of the Company (which must be passed by at least 75% of shareholders present and voting at a general meeting) and with either:

- (a) the consent in writing of the holders of 75% of the issued shares of that class; or
- (b) by a special resolution passed at a meeting of the holders of the shares of that class (which must be passed by at least 75% of class members present and voting at the meeting).

Non-marketable parcels

The Constitution contains procedures to enable the Company to seek to sell non-marketable parcels of shares on behalf of shareholders, unless the shareholder requests otherwise.

5. Compliance with disclosure obligations

The company is a "disclosing entity" under the Corporations Act and, accordingly, is subject to regular reporting and disclosure obligations under both the Corporations Act and the ASX Listing Rules.

These obligations require the Company to notify ASX of information about specific events and matters as they arise. In particular, the Company is obliged to continuously disclose to the market immediately any information which a reasonable person would expect to have a material effect on the price or the value of the Company's shares.

The Company is also required to prepare and lodge with ASIC yearly and half-yearly financial statements accompanied by a directors' statement and report, and an audit report or review. Copies of documents lodged with ASIC in relation to the Company may be obtained from, or inspected at, an ASIC office.

The Company will provide a copy of each of the following documents, free of charge, to any person on request:

- (a) the annual financial report most recently lodged by the Company with ASIC, being the financial report of the Company for the year ended 30 June 2013;

- (b) any half-year financial report lodged by the Company with ASIC after the lodgement of the 2013 financial report and before the lodgement of this Cleansing Notice with ASX; and
- (c) any continuous disclosure documents given by the Company to ASX after the lodgement of the 2013 financial report and before the lodgement of this Cleansing Notice with ASX.

A list of the continuous disclosure documents given by the Company to ASX after the lodgement of the 2013 financial report and before the lodgement of this Cleansing Notice with ASX is set out in the table below.

Date	Announcement
4/9/2013	EGY Investor briefing
18/9/2013	Appendix 3B
18/9/2013	Appendix 3Y Gary Ferguson
30/9/2013	EGY Annual Report FY2013
1/11/2013	EGY Notice of AGM
1/11/2013	Proxy Form
1/11/2013	Market Update
20/11/2013	Market Update
29/11/2013	AGM Extension approval
5/12/2013	EGY results AGM 5 December 2013
5/12/2013	Appendix 3B
5/12/2013	Appendix 3Y Gary A Ferguson
6/12/2013	Cleansing Notice
12/12/2013	Appendix 3B (Amended from 5 December 2013)
12/12/2013	Appendix 3Y Gary A Ferguson (Amended from 5 December 2013)
20/12/2013	Appendix 3B
20/12/2013	Appendix 3Y Alfred J Chown
20/12/2013	Appendix 3Y Michael D Butcherine
20/12/2013	Appendix 3Y Gary A Ferguson

6. Information excluded from continuous disclosure notices

As at the date of this Cleansing Notice, the Company advises that it has fully complied with its disclosure obligations under the ASX Listing Rules and the Corporations Act, and, in particular, there is no information which the Company has excluded from any of its continuous disclosure notices given in accordance with the ASX Listing Rules and the Corporations Act as at the date of this Cleansing Notice which it would be reasonable for investors and their professional advisors to require for the purpose of making an informed assessment of:

- (a) the assets and liabilities, financial position and performance, profits and losses and prospects of the Company; and
- (b) the rights and liabilities attaching to the Convertible Notes and shares.

Annexure A
Terms of Convertible Notes

The following is a broad summary of the rights, privileges and restrictions attaching to the Convertible Notes. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of the Note holders.

Term	Description
Issuer	Energy Technologies Limited (the Company)
Issue date	
Eligibility	The offer was made as a personal offer to investors, falling under the 20 investor/\$2 million ceiling set out in section 708 of the Corporations Act.
Face Value	Each convertible note will have a face value of \$1000.00, to raise a principal amount of \$250,000.00
Maturity Date	1 November 2016
Ranking	The Convertible Notes will be secured by a General Security Agreement over the assets of the Company, ranking behind security given to the Company's bankers, but in priority to all other creditors and obligations of the company, and prior to shareholders rights to return of capital paid up on their shares,
Interest	The Company must pay interest on the face value of each note at the rate which is eight percentage points higher than the RBA cash rate from time to time, paid monthly in arrears, until the earlier of the Maturity Date or the conversion of the Convertible Note
Conversion rights	Each Convertible Note may be converted at any time up until the Maturity Date
Conversion Price	\$0.01 per share, or 100,000 shares per note, subject to adjustments to the Conversion Price as set out below
Adjustment to Conversion Price	The Conversion Price will be adjusted, if either of the following would give a lower Conversion Price: - the price per share which is the volume weighted average market price for shares in the company for the twenty trading days on which trades were recorded prior to conversion; - the lowest price per share at which the company has issued shares between the issue of a Note and its conversion
Participation in new issue of securities	Each Note holder is entitled to participate in capital raisings, and is affected by capital changes, made after issue and before conversion, in the same way as they would have if the notes had already been converted. The face value of a note may be applied by a Note holder to participate in any capital raising conducted after issue and before conversion.
Conversion shares	Shares issued on conversion of a Convertible Note will be fully paid ordinary shares and rank equally with all other fully paid shares from their date of issue. The Company will apply for official quotation by ASX of the Conversion Shares on the conversion date.
Redemption	A Note is redeemed if a Note holder gives a redemption notice, which may only be given after the first twelve months of the facility, or after an event of default The Company may redeem a Note during the facility, by notice, with the Note holder having the option of converting instead. A Note is redeemed on the Maturity Date, unless it has already been converted
Events of Default	Events of Default include: breach of obligations to pay interest or other material obligations under

	the Deed Poll • breach of warranties given under the Deed Poll • insolvency • change of control • shareholder approval not being obtained
Transferability	There is no restriction under the Deed Poll on the transfer of Notes. The Notes will not be listed on any stock market.
Rights of Note holder	Except as provided in the Deed Poll, a Convertible Note does not entitle a Note holder to vote at a general meeting of the Company, to receive dividends or other distributions or participate in the issue of securities. Each Note holder has the same rights as a shareholder to receive notices of general meetings, reports and financial statements of the company.
ASX listing	The Convertible Notes will not be quoted on the ASX or any other securities exchange