ENERGY TECHNOLOGIES LIMITED (ASX: EGY)

ABN 38 002 679 469

Half-Year Financial Report

for the half-year ended 31 December 2016

Corporate Information

ABN 38 002 679 469

Directors

Alfred J. Chown (Chairman, Managing Director)

Gary A. Ferguson (Non-Executive Director)

Philip W. Dulhunty (Non-Executive Director)

Yulin Hu (Non-Executive Director)

Matthew Driscoll (Non-Executive Director)

Meiping Hu (Alternate Director to Yulin Hu)

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

Telephone:- (02) 8234 5000

Facsimile:- (02) 8234 5050

Auditors

Nexia Sydney Audit Pty Ltd

Chartered Accountants

Level 16

1 Market Street

SYDNEY NSW 2000

Telephone: - (02) 9251 4600

Contents

Directors' Report

Your Directors submit their report for the half-year ended 31 December 2016

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.
Matthew Driscoll (Non-Executive Director) Appointed 20 December 2016.

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.

REVIEW AND RESULTS OF OPERATIONS

The group half year result for the period ended 31 December 2016 was very poor and continued to reflect the market downturn. EGY reported a consolidated loss after tax and minorities of $1,819,383 (FY2015 Half Year $1,379,079). EGY's wholly owned subsidiary Bambach Wires and Cables Pty Ltd (BWC) reported a loss after tax of $1,205,344 (FY2015 Half Year $1,093,353). Revenue from operating activities was below budget particularly in the first four months of the half, however picked up markedly in November and December as infrastructure projects came on stream and order intake compared to year on year increased significantly. Costs were negatively impacted over the period due to BWC ramping up in terms of both sales and production personnel and opening a new branch in South Australia. The company also continued to invest in new equipment to improve factory efficiency and successfully undertook a major refinancing arrangement which increased its working capital substantially. All these activities required initial expense with the aim of growing revenue and profitability in the future, but did of course negatively impact on the period in question.

The parent entity reported a loss after tax of $605,944 (FY2015 Half Year $284,870), of which $348,437 is interest on debenture and convertible notes issued.

A significant proportion of the BWC losses relate to costs associated with new product research and development and marketing of those products. Some of the development costs may be capitalised.

At the time of writing BWC is enjoying strong order intake as a continuation of the uptick that occurred at the beginning of November 2016 and currently has a strong order book. Year on Year sales over the last two months to end January 2017 have improved by 77% on the previous two month period and February continues to be strong. The company is running 3 shifts per day to meet customer orders and ensure an adequate stock supply to its branch network.

Previously introduced and BWC branded products such as SafeX low smoke zero halogen cables are performing well, as is the range of BWC traffic and rail signaling and power cables. New products now approved include the SearX range of fire rated cables, the RailX range of rolling stock cables, and various other cable ranges such as Audioflex speaker cables and AlarmX fire alarm cables. It is expected that these new ranges of cables along with other cable ranges in development will increase company revenues substantially over the course of the next twelve months.

During the period the company raised $4,916,000 through the issue of secured Debenture Notes and retired the NAB facility previously in place (refer Note 6). The surplus debenture funds were applied to the new equipment upgrade, increase in inventory levels at the main warehouse and all branches, including the new South Australian branch, and strengthening of working capital.

Directors' Report (Cont'd)

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration under Section 307C of the Corporations Act 2001 is set out on page 6 and forms part of the Directors' Report for the half-year ended 31 December 2016.

Signed in accordance with a resolution of the Directors.

Alfred J Chown
Managing Director
Sydney, 28 February 2017

28 February 2017

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

To the Board of Directors of Energy Technologies Limited

Auditor's Independence Declaration under section 307C of the *Corporations Act 2001*

As lead audit partner for the review of the financial statements of Energy Technologies Limited for the half year ended 31 December 2016, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(a) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(b) any applicable code of professional conduct in relation to the audit.

Yours sincerely
Nexia Sydney Audit Pty Ltd

Gregory Ralph, M.Com, FCA.
Director

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Condensed Consolidated Statement of Profit or Loss
for the half-year ended 31 December 2016

		CONSOLIDATED	
		31 December 2016	31 December 2015
	Note	**$**	$
Continuing Operations			
Sales revenue	**3(i)**	**5,607,350**	4,907,800
Other revenues	**3(i)**	**513,301**	400,718
Total revenue from continuing operations		**6,120,651**	5,308,518
Cost of sales		**(5,008,743)**	(4,062,739)
Marketing expenses		**(27,943)**	(27,175)
Occupancy expenses		**(276,315)**	(225,083)
Administration expenses		**(1,895,881)**	(1,828,019)
Depreciation and amortisation expenses		**(138,136)**	(118,350)
Other expenses		**(109,701)**	(67,837)
(LOSS) BEFORE FINANCE COSTS, INCOME TAX		**(1,336,068)**	(1,020,685)
Finance costs	**3(ii)**	**(509,802)**	(354,546)
(LOSS) BEFORE INCOME TAX		**(1,845,870)**	(1,375,231)
INCOME TAX BENEFIT/(EXPENSE)		**18,145**	(4,704)
(LOSS) FOR THE PERIOD		**(1,827,725)**	(1,379,935)
(LOSS) ATTRIBUTABLE TO:			
Owners of the parent		**(1,819,383)**	(1,379,079)
Non-controlling interest		**(8,342)**	(856)
		(1,827,725)	(1,379,935)

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

Condensed Consolidated Statement of Other Comprehensive Income
for the half-year ended 31 December 2016

	CONSOLIDATED	
	31 December 2016	31 December 2015
(LOSS) FOR THE PERIOD	**(1,827,725)**	(1,379,935)
OTHER COMPREHENSIVE INCOME		
Items that may be reclassified subsequently to profit or loss		
Movement in foreign exchange relating to translation of controlled foreign entities	**(742)**	(2,602)
Exchange differences on foreign exchange relating to minorities	**(742)**	(2,602)
	(1,484)	(5,204)
TOTAL COMPREHENSIVE (LOSS)	**(1,829,209)**	(1,385,139)
TOTAL COMPREHENSIVE (LOSS) ATTRIBUTABLE TO:		
Owners of the parent	**(1,820,125)**	(1,381,681)
Non-controlling interest	**(9,084)**	(3,458)
	(1,829,209)	(1,385,139)
Earnings per Share		
From continuing operations:		
• Basic loss per ordinary share (cents)	**(0.56)**	(0.42)
• Diluted loss per ordinary share (cents)	**(0.56)**	(0.42)

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 2016

		CONSOLIDATED	
		31 December 2016	30 June 2016
ASSETS	**Note**	**$**	$
CURRENT ASSETS			
Cash and cash equivalents		**393,890**	10,724
Trade and other receivables		**3,226,649**	3,342,403
Inventories		**4,192,407**	3,608,673
Other current assets		**168,959**	245,172
TOTAL CURRENT ASSETS		**7,981,905**	7,206,972
NON CURRENT ASSETS			
Plant & equipment	**4**	**2,236,715**	2,049,135
Intangible assets		**818,712**	841,482
Deferred tax asset		**184,073**	165,929
Other receivables		**44,650**	-
Investments	**5**	**-**	-
TOTAL NON-CURRENT ASSETS		**3,284,150**	3,056,546
TOTAL ASSETS		**11,266,055**	10,263,518
CURRENT LIABILITIES			
Trade and other payables		**3,856,437**	3,838,121
Financial liabilities	**6**	**5,422,468**	2,609,325
Provisions		**617,477**	576,774
TOTAL CURRENT LIABILITIES		**9,896,382**	7,024,220
NON-CURRENT LIABILITIES			
Financial liabilities	**6**	**4,090,085**	4,159,491
Provisions		**124,350**	95,359
TOTAL NON-CURRENT LIABILITIES		**4,214,435**	4,254,850
TOTAL LIABILITIES		**14,110,817**	11,279,070
NET LIABILITIES		**(2,844,762)**	(1,015,552)
EQUITY			
Issued capital	**7**	**9,279,071**	9,279,071
Reserves		**(1,051,697)**	(1,050,955)
Accumulated losses		**(10,515,051)**	(8,695,668)
Deficiency attributable to owners of the parent		**(2,287,677)**	(467,552)
Non-controlling interest		**(557,085)**	(548,000)
TOTAL DEFICIENCY		**(2,844,762)**	(1,015,552)

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 2016

	Issued Capital $	Reserves $	Accumulated Losses $	Non-Controlling Interest $	Total $
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)**
Balance at 1.7.2016	9,279,071	(1,050,955)	(8,695,668)	(548,000)	(1,015,552)
Comprehensive income					
Loss for the period	-	-	(1,819,383)	(8,343)	(1,827,726)
Other comprehensive (loss) for the period, net of income tax	-	(742)	-	(742)	(1,484)
Total comprehensive (loss) for the period	-	(742)	(1,819,383)	(9,085)	(1,829,210)
Transactions with owners, in their capacity as owners, and other transfers					
Contributions of Equity	-	-	-	-	-
Balance at 31.12.2016	**9,279,071**	**(1,051,697)**	**(10,515,051)**	**(557,085)**	**(2,844,762)**

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 2016

	CONSOLIDATED	
	31 December 2016	31 December 2015
	$	$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	**6,254,317**	5,922,957
Payments to suppliers and employees	**(7,844,656)**	(6,648,370)
Borrowing costs	**(738,452)**	(308,309)
NET CASH FLOWS (USED IN) OPERATING ACTIVITIES	**(2,328,791)**	(1,033,722)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(302,948)**	(238,853)
Proceeds from sale of property, plant and equipment	**-**	273
NET CASH FLOWS (USED IN) INVESTING ACTIVITIES	**(302,948)**	(238,580)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds of issue of shares	**-**	404,793
Proceeds of issue of convertible notes	**-**	500,000
Proceeds from borrowings	**4,916,000**	456,422
Repayment of borrowings	**(1,901,235)**	(144,877)
NET CASH FLOWS PROVIDED BY FINANCING ACTIVITIES	**3,014,765**	1,216,338
NET INCREASE/(DECREASE) IN CASH HELD	**383,026**	(55,964)
Cash at beginning of the financial period	**10,724**	99,317
Effects of exchange rate fluctuations on the balances of cash held in foreign currencies	**140**	559
CLOSING CASH BALANCE AT END OF FINANCIAL PERIOD	**393,890**	43,912

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 2016

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 2016 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 2016 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.

The interim financial statements have been approved and authorized for issue by the Board of Directors on 28 February, 2017.

(b) Going Concern

The consolidated entity incurred a loss after tax and non-controlling interest of $1,819,383 (2015:$1,379,079) and incurred negative cash flows from operations of $2,328,791 (2015:$1,033,722) for the half year ended 31 December 2016. However, there was a 14% increase in sales revenue from the comparative half year.

At 31 December 2016 the consolidated entity had a net deficiency of $2,844,762 (June 2016: $1,015,552) including the recognition of deferred tax assets of $184,073 and intangible assets of $818,712. At balance date, including Debenture Notes, current liabilities exceeded current assets by $1,914,447. The Directors do not expect the Debenture Notes will be redeemed within the twelve month period following balance date. Subsequent to 31 December 2016, a further $500,000 has been raised through an unsecured loan, which improves the financial position.

Nevertheless, 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 higher sales and positive cash flow 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 new product lines to market and has further lines undergoing development and testing to be ready for sale later in FY2017. 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 28 February 2018 that supports the ability of the consolidated entity to continue as a going concern.

Notes to the Half –Year Financial Statements

31 December 2016

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 37% (15% excluding new branch and staff input estimates) however, based on unfilled February orders and job quotes submitted the Directors expect this to be a timing difference only which will be made good in subsequent months. The Directors are still confident of achieving the calendar 2017 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. The expected margin improvement of 3% from this first round of is reflected in the forecast.

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 has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current reporting period.

The adoption of all the new and revised Standards and Interpretations has not resulted in any changes to the Group's accounting policies and has no effect on the amounts reported for the current or prior periods. The new and revised Standards and Interpretations has not had a material impact and not resulted in changes to the Group's presentation of, or disclosure in, its half-year financial statements.

Notes to the Half –Year Financial Statements
31 December 2016

2. SEGMENT INFORMATION

Business segments

Management identifies its operating segments based on the Group's service lines, which represent the main products provided by the Group. The Group's main operating segments are specialist and industrial cables and investment.

During the half-year period to 31 December 2016, there have been no changes from prior periods in the measurement methods used to determine operating segments and reported segment profit or loss. The revenues and profit/(loss) generated by each of the Group's operating segments and segment assets are summarised as follows:

	Cables		Investment		Total	
	31/12/2016	31/12/2015	**31/12/2016**	31/12/2015	**31/12/2016**	31/12/2015
	$	$	**$**	$	**$**	$
Revenue	**6,104,757**	5,308,518	**15,894**	-	**6,120,651**	5,308,518
Segment result before income tax	**(1,234,172)**	(964,361)	**(611,698)**	(410,870)	**(1,845,870)**	(1,375,231)
Income tax expense(credit)	**(18,145)**	4,704	**-**	-	**(18,145)**	4,704
Loss after income tax	**(1,216,027)**	(969,065)	**(611,698)**	(410,870)	**(1,827,725)**	(1,379,935)
Segment Assets	**11,145,100**	8,603,032	**120,955**	330,568	**11,266,055**	8,933,600
Segment Liabilities	**9,190,856**	8,542,158	**4,919,961**	1,264,668	**14,110,817**	9,806,826

3. REVENUE, INCOME AND EXPENSES

(i) Revenue from continuing operations

	31 December 2016	31 December 2015
	$	$
Sale of goods	**5,607,350**	4,907,800
Other Revenues:		
Federal R&D Grant	**480,000**	360,000
Foreign exchange gains	**18,001**	-
Finance revenue	**-**	30
Other income	**15,300**	40,688
Total Other Revenues	**513,301**	400,718
	6,120,651	5,308,518
(ii) Finance costs		
Loans and convertible notes	**474,008**	324,546
Borrowing costs	**35,794**	30,000
	509,802	354,546

Notes to the Half –Year Financial Statements

31 December 2016

4. PLANT AND EQUIPMENT

Acquisitions and disposals

During the half-year ended 31 December 2016 the group acquired fixed assets at a cost of $302,947 (2015: $238,853).

Plant and equipment disposals during the half year ended 31 December 2016 provided net proceeds of $Nil (2015: $273).

5. INVESTMENTS

	Consolidated	
	31 December 2016	30 June 2016
	$	$
Unlisted Company	**-**	-
	-	-

An Interest is held in the following unlisted company

Name	Principal Activity	Country of Incorporation	Shares	Ownership Interest		Carrying Amount of Investment
Unlisted:				%	%	$
				Dec 2016	Jun 2016	
Dulhunty Poles Pty Limited	Manufacture & Sale of Glass Fibre Reinforced Cement Composite Power Poles	Australia	Ordinary	**8**	36	-
						-

During the period investors in Dulhunty Poles Pty Limited (DPPL) converted their convertible notes in that company to shares. Consequently, the Group's ownership interest in DPPL reduced to 8%. The Group no longer considers that it has significant influence over DPPL and has discontinued equity accounting for that investment. As the investment has been fully impaired there is no impact in the financial report of the change in classification of the investment in DPPL.

Notes to the Half –Year Financial Statements

31 December 2016

6. INTEREST-BEARING LOANS AND BORROWINGS

	Note	31 December 2016 $	30 June 2016 $
CURRENT			
Secured liabilities:			
Debenture Notes	(a)	4,916,000	-
Less: transaction costs		(228,650)	-
		4,687,350	-
Invoice finance facility	(b)	-	1,689,279
Hire purchase and finance lease liability		55,118	120,046
Convertible Notes		100,000	100,000
		4,842,468	1,909,325
Unsecured liabilities			
Directors and executive loans		580,000	600,000
Other loan		-	100,000
		580,000	700,000
		5,422,468	2,609,325
NON CURRENT			
Convertible Notes			
2,700 notes of $1,000 each convertible on or before 31/12/2018		2,700,000	2,700,000
1,270 notes of $1,000 each convertible on or before 31/12/2020		1,270,000	1,270,000
Non-Current Convertible Notes at 31 December 2016		3,970,000	3,970,000
Hire purchase liabilities			
Amount due greater than 12 months		120,085	189,491
		4,090,085	4,159,491

(a) The group raised $4,916,000 (2015: Convertible notes $1,770,000) of interest bearing debt through the issue of secured Debenture Notes. These notes have a maturity date of 31 December 2020 and a redemption date of 30 June 2017. The Directors do not expect the Debenture Notes will be redeemed within the twelve month period following balance date. The notes are interest bearing and interest is calculated on the face value of each note at a rate of 12% paid monthly in arrears.

(b) During the half-year ended 31 December 2016 the group repaid $1,901,235 (2015: $144,877) of both long and short term interest bearing debt. This included full repayment of NAB IF Facility.

Notes to the Half –Year Financial Statements

31 December 2016

7. CONTRIBUTED EQUITY

	31 December 2016 $	30 June 2016 $
Ordinary shares		
(i) Ordinary shares	**9,279,071**	9,279,071
Fully paid ordinary shares carry one vote per share and carry the right to dividends.		
	No. of shares	No. of shares
Movement in ordinary shares on issue		
At 1 January 2016	**326,507,732**	326,207,732
At 30 June 2016	**326,507,732**	326,507,732
At 1 July 2016	**326,507,732**	224,528,463
Shares issued during the period		
- 16 October 2015 (at $0.01 per share)	**-**	33,679,269
- 9 December 2015 (at $0.0125 per share)	**-**	800,000
- 18 December 2015 (at $0.01 per share)	**-**	17,500,000
- 19 February 2016 (at $0.01 per share)	**-**	50,000,000
Less: transaction costs on issue of shares	**-**	-
At 31 December 2016	**326,507,732**	326,507,732

8. CONTINGENT LIABILITIES

Contingent liabilities of the group are materially as disclosed in the 30 June 2016 Annual Report.

During the Half Year ended 31 December 2016 subsidiary Bambach Wires and Cables Pty Limited (BWC) repaid a financial facility held with the National Australia Bank and the parent entity guarantee previously in place was released.

Under the Secured Debenture Note Facility Deed executed during the half year period, upon redemption of a Note to any Noteholder, if the Group's net profit after tax has exceeded $2 million for any annual period (measured at the end of any calendar quarter) between the issue date and redemption date of the Note that Noteholder is entitled to a premium payment of 25% of the value of the Note. At the balance date no redemption premium would be payable if a Redemption Notice had been received.

Notes to the Half –Year Financial Statements

31 December 2016

9. RELATED PARTIES

Loans by Directors and Key Management

During the half year to 31 December 2016 Director Mr Alfred Chown loaned subsidiary Bambach Wires and Cables Pty Ltd $316,853 to facilitate the purchase of new equipment. This loan is unsecured and repayable on demand.

A key management personnel has a short term loan of $10,000 (2015:$20,000) to subsidiary Bambach Wires and Cables Pty Ltd. This loan is unsecured and repayable on demand.

10. EVENTS SUBSEQUENT TO BALANCE DATE

Subsequent to balance date subsidiary Bambach Wires and Cables has executed an unsecured loan agreement to raise $500,000. The loan will have a maturity date of two years and an interest rate of 10% per annum.

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 2016

Directors' Declaration

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 7 to 18 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 2016 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
28 February 2017

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 2016, the Condensed Consolidated Statement of Comprehensive Income, Condensed Consolidated Statement of Changes in Equity and 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, of the group comprising Energy Technologies Limited and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company 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 internal control as the directors determine is necessary to enable the preparation 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 a Financial Report Performed 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 half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 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 the 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 of 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.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, has been given to the directors of Energy Technologies Limited.

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 and its controlled entities 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 2016 and of its performance for the half-year ended on that date; and

ii. complying with Australian 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 half-year financial report, which indicates that the consolidated entity incurred a net loss after tax and non-controlling interest of of $1,819,383 (2015:$1,379,079) and incurred negative cash flows from operations of $2,328,791 (2015:$1,033,722) for the half year ended 31 December 2016. At that date, liabilities exceeded assets by $2,844,762 (June 2016:$1,015,552) and there were net current liabilities of $1,914,477. These conditions, along with other matters as set forth in Note 1(b), indicate the existence of a material uncertainty that may cast significant doubt about the company's ability to continue as a going concern and therefore, the company may be unable to realise its assets and discharge its liabilities in the normal course of business.

Nexia Sydney Audit Pty Ltd

Gregory Ralph, M.Com, FCA
Director

Sydney, 28 February 2017