ENERGY TECHNOLOGIES LIMITED

ABN 38 002 679 469

Annual Financial Report

for the year ended 30 June 2018

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) 8235 8150

Auditors

Nexia Sydney Audit Pty Ltd
Chartered Accountants
Level 16
1 Market Street
SYDNEY NSW 2000
Telephone:- (02) 9251 4600

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Chairman's Report

EGY has again reported a loss after tax and minorities for the financial year but continues to trade with the support of its major shareholders and financial backers. Sales in its wholly owned subsidiary Bambach Wires and Cables Pty Ltd (Bambach) have expanded and margins have improved substantially, however margin improvement took longer to develop than anticipated following the installation of significant manufacturing equipment in late 2017.

Group losses were exacerbated by a material one off additional stock write down of $340,000 and by interest expense payable on the substantial debt load carried by the company of $1.485m.

Bambach itself excluding the one off stock write down reported an EBITDA result of $123,443.

New products developed by the company are selling well and prospects in this regard are bright with significant new products to come on stream over the next 6 to 12 months - especially cable products geared to the defence industry.

The company has developed a very strong sales capability and now looks to improving its manufacturing capacity and efficiency to support its sales operations.

The award in May 2018 of a Regional Jobs and Investment Program (RJIP) grant of $2.92 million by the Federal Government to EGY's wholly owned subsidiary Bambach means the company is now in a positon to vastly improve its manufacturing capacity and efficiency which will allow strong margin improvement and much faster supply. The company is currently exploring the best way to maximise use of the grant to this purpose.

Overall the market for specialised and industrial cables is continuing to improve and the suite of products developed by Bambach over the past four years should see strong demand for the foreseeable future.

The company will update the market as soon as it settles on its way forward with implementation of the RJIP grant.

Alfred J Chown
Chairman

Sydney, 28 September 2018

Directors' Report

Your Directors submit their report for the year ended 30 June 2018
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DIRECTORS

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

Names, qualifications, experience and special responsibilities

Alfred J. Chown, B.Econ, (Age 57) (Chairman/Managing Director) Appointed 4 July 1997.

Born in 1960, in Sale, Victoria, Mr Chown returned in 2012 from residing in Hong Kong. In 1987 he co-founded E.L. Consult Ltd an executive search provider that prior to being sold to the Clarius group (ASX:CND) and renamed Lloyd Morgan in March 2007, had an extensive network of offices throughout Hong Kong, China, Singapore and Malaysia. Mr Chown continues to provide his services to Lloyd Morgan in a regional role. In the early 1990's Mr Chown also co-founded Dulhunty Engineering Ltd and in 1997 this company established Dulhunty Yangzhou Line Fittings Co Ltd, a manufacturer of line fittings for the electric power transmission and distribution industry. In 2003 Mr Chown was the driving force to merge these businesses together with Dulhunty Industries Pty Limited of Australia to form Energy Technologies Limited. Mr Chown is a former Chairman of the Australian Chamber of Commerce in Hong Kong and has extensive commercial experience in both Australia and Asia. Mr Chown is also a member of the Remuneration and Nomination Committees of the company.

Philip W. Dulhunty OAM (Age 94) (Non-Executive Director) Appointed 3 December 2014

Founder of Dulhunty Power (Aust) Pty Limited, importers, exporters and distributors of electrical power transmission equipment. Honorary Life Member and distinguished member of the international electrical transmission industry body, CIGRE and Honorary Life Senior member of IEEE. Holder of Centenary Medal for Contribution to Australian Industry. Mr Dulhunty was also the recipient of the Institute of Engineering and Technology (IET) James N Kirby Medal in 2007. Mr Dulhunty was previously a Director of the company from 31 March 2003 to 1 October 2012. Mr Dulhunty is also a member of the Audit and Nomination Committees of the company.

Gary A Ferguson CA (Age 75) (Non-executive Director). Appointed 1 October 2012

Mr Ferguson is a qualified accountant. During his career, he has worked for manufacturing companies as a cost accountant, lectured in accounting (post-certificate Cost Accounting) with the then Department of Technical Education, developed the methodology associated with risk analysis profiles for capital expenditure projects in both the cable and abrasive sectors and providing consultant services to these companies. Mr Ferguson relocated to Mid-North Coast NSW in 1975 and gained a very broad level of experience, owning and operating businesses in the construction, hospitality, heavy transport and earthmoving and quarry industries. In 1992 he acquired a public practice in Kempsey, specializing in providing commercial clients with advice in corporate structure, taxation, reporting and financial management areas, including providing associated legal services from in house partners. Mr Ferguson is a Member of both Chartered Accountants Australia and New Zealand (CA) and Certified Practising Accountants in Australia (CPA). Mr. Ferguson is also Chairman of the Audit Committee and a member of the Nomination and Remuneration Committees of the company.

Yulin Hu (Age 50) (Non-executive Director) Appointed 25 November 2015

Mr Yulin Hu is an Australian resident and leading businessman whose roles include the President of China City Construction Holdings Limited, which owns a construction business in China with approximately 6bn RMB (A$1.1bn) turnover.

Meiping Hu (Age 29) (Alternate Director to Yulin Hu) Appointed 25 November 2015

Ms Meiping Hu has a Bachelor degree in Commerce at the University of South Australia and a Master of Advanced Professional Accounting at Macquarie University. Ms Hu is currently a practising accountant and a member of CPA Australia. Ms Hu has previously worked in Fujian HongSheng Construction Group Co., Ltd and an accounting practice in Hong Kong, and has been assisting Mr Hu in various matters in Australia for over eight years such as property investment and imports and exports.

Directors' Report (Cont'd)

Matthew Driscoll (Age 54) (Non- executive Director) Appointed 20 December 2016

Mr Driscoll has over 30 years' experience in capital markets and the financial services industry, with major financial institutions including Hartleys Limited, William Noall Limited, Burdett Buckeridge and Young Limited, Westpac and ANZ McCaughan Securities Limited. He is an accomplished company director in roles with listed and private companies, undertaking leadership positions on the Board (as Chairman) and on various committees (including audit and risk committees). Mr Driscoll has significant experience in international business growth, mergers and acquisitions, equity and debt raisings and building strategic political, financial and commercial alliances. Mr Driscoll is Chairman of BuyMyPlace.com.au Limited an ASX listed disruptive technology property services company, Chairman of Powerwrap, an Australian financial services company that offers wealth managers, financial advisers and investment professionals looking to start an advisory business an efficient, customisable and unconstrained next-generation platform service for delivering efficient client outcomes, Non-Executive Director of Smoke Alarms Holdings Limited, a market leader in servicing smoke alarms in rental properties in Australia and recently commenced operations in New Zealand, Non-Executive Director of Workspace Australia, a multi-regional business incubator network in Central Victoria and Non-Executive Director and Responsible Manager of Advocate Strategic Investments(ASI). AFSL: 224560. ASI is a Melbourne-based independent investment management firm that provides institutional and sophisticated investor clients with customised alternative investment strategies.

COMPANY SECRETARY

Gregory R. Knoke, B. Com, CA (Age 65) (Company Secretary and Chief Financial Officer) Appointed 30 April 2003.

Director of Cogenic Pty Limited. Mr Knoke was a director of Energy Technologies Limited from May 2000 until 30 April 2003, resigned upon acceptance of the position of CFO. Born in 1952, educated at University of NSW and graduated in 1973 with major in accountancy, he holds a Bachelor of Commerce degree with merit. Mr Knoke is a Chartered Accountant and Associate member of Chartered Accountants Australia and New Zealand since 1979, an affiliate member of Chartered Secretaries of Australia and member of the Australia China Business Council. Business consultant and advisor, with extensive work experience throughout Asia and Europe, Mr Knoke spent 13 years in Hong Kong as Asian Group Financial Controller and Director for BIL Asia Holdings Limited and subsidiaries of the Brierley Investments Limited Group.

PRINCIPAL ACTIVITIES

EGY's principal activities during the year were:

- The manufacture and sale of specialist industrial cables through wholly owned subsidiary Bambach Wires and Cables Pty Limited (BWC):
- Driving organic growth and organisational change in BWC;
- Seeking other products, businesses and opportunities for the Group.

REVIEW AND RESULTS OF OPERATIONS

EGY has reported a consolidated loss after tax and minorities for FY2018 of $3,109,926 (FY2017 loss after tax and minorities $2,941,203). Wholly owned subsidiary Bambach Wires and Cables Pty Ltd (BWC) reported a loss after tax of $1,146,960 (FY2017 loss $1,484,904). BWC reported a loss after tax of $654,935 for the HY to 31 December 2017. The full year result is impacted by a $340,000 write down against inventory. BWC revenue for FY2018 was 16% higher than reported for FY2017.

New orders for FY2018 were 10% up on the previous period. Overall margins were also improved, with an average 5% uplift after allowing for scrap content.

Included in FY2018 revenue is $1,148,210 R&D Grant (FY2017 R&D Grant revenue $1,189,865) which partially recovered the continuing significant research and development expenditure undertaken by BWC in new product development, cable projects and testing.

The company continues to be supported by its investors and over the period has raised required funds to support the business. Funds totaling $1,990,841 have been raised through further loans.

The loss position of the company continues to be of great concern but as previously announced the company has been awarded an RJIP Grant of $2.9m which it is in the process of prosecuting. Further announcements on progress in this regard will be made over the coming months.

Directors' Report (Cont'd)

STATE OF AFFAIRS

Secured Debenture Notes totaling $6,816,000 raised in FY2017 have a maturity date of 31 December 2020 but are redeemable at anytime after 31 July 2018 and are therefore classified as a current liability. However, the Directors do not expect the Debenture Notes will be redeemed within the twelve month period following the date of this report.

During the financial year the group repaid $297,705 (2017: $1,970,170) of both long and short term interest bearing debt.

Subsidiary Bambach Wires and Cables Pty Ltd has raised a further $1,668,218 under unsecured Loan Facilities during FY2018 (FY2017 $500,000).

In relation to the Going Concern position of the Group, please refer to the details set out in Note 1(c) to the Financial Statements.

DIVIDENDS

No dividends were paid or recommended by the parent company EGY this financial year.

NON-AUDIT SERVICES

During the year Nexia Sydney Pty Ltd, an associate of the Company's auditor performed certain other services in addition to their statutory duties.

The board has considered the non-audit services provided during the year by the auditor's associate firm and in accordance with written advice provided by resolution of the audit committee, is satisfied that the provision of those non-audit services during the year by the auditor's associate firm is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001.

The reasons for this are that all non-audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed by the audit committee to ensure they do not impact the integrity and objectivity of the auditor; and the non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

Details of the amounts paid to the auditor and their associates for audit and non-audit services provided during the year are set out in note 6 to the financial statements. In addition, amounts paid to other auditors for other statutory audit services have been disclosed in that note.

EVENTS SUBSEQUENT TO REPORTING DATE

There has not arisen since the end of the financial period any other matter of circumstance which, in the opinion of the directors of the Company, significantly affects the operation of the Company, the results of those operations, or the state of affairs of the Company in subsequent financial years.

Directors' Report (Cont'd)

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

Refer Subsequent Events note above.

Future Developments and Risks

Opportunities

In line with the Business Plan the company continues to invest significant funds in updating and improving equipment. Further equipment has been identified and is under order for delivery in FY2019. This equipment will further increase the capacity and efficiency of the factory is and lead to improved margins on products made. The new equipment will also allow manufacture of a much larger range of cable and larger sizes of cable, reducing exposure to price variations from suppliers and foreign exchange risk.

As stated previously, the company has invested significant time and funds in developing a range of specialist cables for infrastructure and defence related projects, to expand its range of products to supply to market areas where it was deemed there would be significant growth. The decision was made to focus initially on rail and especially rail signalling cables and build from there with cables for road signalling, tunnelling, rolling stock and then defence related cables for submarines, patrol boats and frigates/destroyers. Cables for rolling stock, tunnelling and defence related projects, low smoke zero halogen 125 degree cables for tunnels and fire rated cables are now tested and approved or in the final stages of approval.

Typically to conceive a new product, undertake market research, make samples, confirm pricing and cost competitiveness, refine the product, undertake in house testing, submit for independent type testing and then receive approval takes between twelve to eighteen months. This process remains ongoing, although much has been achieved with the launch of the suite of products to date.

The opportunity for the company continues to lie in the fact that it has multiple products, all Australian made and coming on stream to meet growth in infrastructure and defence spending at a time when markets are becoming increasingly protective.

The company was successful in being awarded a $2.92m Regional Jobs and Investment Program federal government grant. The management and board are currently actively pursuing the best way for the company to maximise benefit from the grant award. The company will update the market as soon as it has an agreed and detailed outcome in this regard.

Risks

The company needs to continue upgrading its manufacturing facilities to enable it to meet expected capacity requirements and produce locally an expanded range and size of cables. Failure to do so will substantially limit growth and will not allow anticipated margin improvement. The company will require further significant new equipment purchases and to fully reach a capacity level to efficiently meet expected demand will need to consider acquiring increased factory land and buildings.

A rise in the AUD against the USD will impact negatively on the competitiveness of the business. At AUD/USD 0.80 the business may be less competitive with imports of like quality. A fall from this level is favourable to the business whilst a rise is unfavourable.

The company is a small player in a market where there are a number of very large competitors. The company is very aware that to compete it must maintain a point of difference. To this end it must continue with a very active research and development agenda, developing new cables and continuously upgrading existing cables. It must also continue to develop its manufacturing processes and adopt a continuous upgrade program. It must also continue to excel in the level of service that it provides. Any failure in any of these areas will bring significant risk to the business.

The company continues to report a loss and has not been profitable for an extended period. This weakness has been supported financially by significant funds raising, which has been successfully undertaken over the past three years and continued in FY2018 with the issue of further Debenture Notes as well as loans, including loans from Directors. The company continues to be without bank facility support. The company must deliver to maintain the support of its financiers and in this respect It must deliver on the small objectives as well as the larger objective of returning to profitability. Thus it must continue to deliver on bringing new products to market, on increasing productivity to maintain support on its road to building a robust sustainable business. Failure to meet accepted milestones on this path will pose a risk to continued financial support.

The company has based its business plan on the belief that both Federal and State governments will proceed with planned infrastructure and defence spending. Now significant projects are proceeding. Any cancellation of these plans or continued delay will impact negatively on the opportunities that lie ahead for the company.

The company has developed products some of which still require final testing and approval. Any failure to pass testing in a timely manner or not obtain approval will impact negatively on the company's performance.

Directors' Report (Cont'd)

ENVIRONMENTAL REGULATION AND PERFORMANCE

The group operates a factory in Brookvale, Sydney which is required to comply with local planning laws, and with State and Commonwealth Environmental laws. The company considers that the factory's operation is currently compliant, and is not expecting any adverse impact as a result of the environmental regulation.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

Indemnification

The Company has entered into Deeds of Indemnity and Access with persons who are an Officer or Director of the Company or a related body corporate, indemnifying such persons against a liability incurred by them in their capacity as an Officer or Director, including costs and expenses of defending legal proceedings and providing them with access to company records where a claim is made or threatened against such Officer or Director.

Insurance Premiums

The Company has not, during or since the end of the financial year, in respect of any person who is or has been an auditor of the Company or a related body corporate paid or agreed to pay a premium in respect of a contract insuring against a liability for costs or expenses of defending legal proceedings.

The Company has paid insurance premiums in respect of Directors' and Officers' liability and legal expense insurance for Directors and Officers of the Company. In accordance with subsection 300(9) of the Corporations Act 2001, further details have not been disclosed due to confidentiality provisions contained in the insurance contract.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

The company was not a party to any such proceedings during the year.

EMPLOYEES

The consolidated entity employed 61 employees as at 30 June 2018 (2017: 72 employees).

REMUNERATION REPORT

The remuneration report is set out on page 12 and forms part of the Directors' Report for the financial year ended 30 June 2018.

Directors' Report (Cont'd)

DIRECTORS' MEETINGS

The numbers of meetings of Directors (including meetings of Committees of Directors) held during the year and the number of meetings attended by each director were as follows:

	Board of Directors	Remuneration Committee	Audit Committee	Nomination Committee
Number of meetings held:	7	1	2	1
Number of meetings attended:				
Alfred J. Chown	7	1	-	1
Gary A. Ferguson	6	-	2	1
Philip W. Dulhunty	6	-	2	1
Matthew Driscoll	5	1	2	-
Yulin Hu	6	-	-	-
Meiping Hu (Alternate Director to Yulin Hu)	2	-	-	-

Committee Membership

At the date of this report, the company's committees were comprised as follows:

Audit Committee:	Matthew Driscoll	Gary A. Ferguson	Philip W. Dulhunty
Nomination Committee:	Alfred J. Chown	Gary A. Ferguson	Philip W. Dulhunty
Remuneration Committee:	Matthew Driscoll	Alfred J. Chown	Gary A. Ferguson

INTERESTS IN THE SHARES AND OPTIONS OF THE COMPANY AND RELATED BODIES CORPORATE

The relevant interest of each director in the shares, and options over such instruments, issued by the companies within the consolidated entity and other related bodies corporate, as notified by the directors to the Australian Securities Exchange in accordance with S205G(1) of the Corporations Act 2001, at the date of this report is as follows:

	Energy Technologies Limited		Dulhunty Engineering Limited
	Ordinary Shares	**Options**	**Ordinary Shares**
Alfred J. Chown	50,660,691	-	59,724
Gary A. Ferguson	47,266,126	-	-
Philip W. Dulhunty	22,695,135	-	-
Yulin Hu	87,845,969	-	-
Matthew Driscoll	2,577,313	-	-

Directors' Report (Cont'd)

CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behavior and accountability, the Directors of the Company support and have adhered to the principles of corporate governance. The Company's corporate governance principles are contained in the Corporate Governance Statement.

Signed in accordance with a resolution of the Directors.

Alfred J. Chown

Chairman/Managing Director

Sydney, 28 September 2018

Remuneration Report (audited)

The Remuneration Committee of the Board of Directors is responsible for determining and reviewing compensation arrangements for the directors, the managing director and the executive team. Remuneration levels are set to attract and retain appropriately qualified and experienced Directors and senior executives. The Remuneration Committee obtains independent advice on the appropriateness of remuneration packages, given trends in comparative companies both locally and internationally. The Remuneration Committee also assesses the appropriateness of the nature and amount of emolument of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and executive team. Such officers are given the opportunity to receive their base emolument in a variety of forms including cash and fringe benefits such as motor vehicles. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the company.

Executive remuneration packages include a mix of fixed remuneration and performance based remuneration.

Fixed Remuneration

Fixed remuneration consists of base remuneration as well as employer contributions to superannuation funds. Remuneration levels are reviewed annually by the Remuneration Committee through a process that considers individual, segment and overall performance of the consolidated and operating entity. A senior executive's remuneration is also reviewed on promotion.

Performance – linked Remuneration

The Remuneration Committee links the nature and amount of directors' and executives' emoluments to the company's financial and operational performance. All senior executives have the opportunity to qualify for participation in the Employee Bonus Plan, which currently provides incentives where specified criteria are met including criteria relating to profitability.

Performance linked remuneration includes both short term and long term incentives and is designed to reward executive directors and senior executives for meeting or exceeding financial and personal objectives. The short term incentive is an at-risk bonus provided in the form of cash, and is based on the relevant operating subsidiaries' results and on achieving a preset target. The long term incentive is provided as ordinary shares of Energy Technologies Limited or options over ordinary shares of Energy Technologies Limited under the rules of the Energy Technologies Limited Share Option Plan.

The remuneration structures result in and take into account:

- The overall level of remuneration for each director and executive
- The executive's ability to control performance
- The amount of incentives within each executive's remuneration.

Short term incentive

Each year the remuneration committee sets the key performance indicators, which generally include measures relating to the operating group, the relevant segment and the individual, and are based on financial, customer and strategy measures. The measures directly align the reward to the key performance indicators and the operating group performance. The financial performance objectives are operating group turnover and EBIT to working capital ratio analyses compared to budgeted amounts on a regional and consolidated basis. The non-financial objectives vary with position and responsibility and include measures such as achieving strategic outcomes, safety and business development.

The remuneration committee approves the cash incentive to be paid to the individuals.

Long term incentive

Options are available to be issued under the Energy Technologies Limited Share Option Plan (made in accordance with thresholds set in plans approved by shareholders at the 2017 AGM), and it provides for directors, executives and employees to receive options in total limited to 15% of the issued ordinary capital and exercisable strictly under the terms of the Plan.

Remuneration Report (audited)

The Board considers that the above remuneration structure is adequate given the major restructuring of the operations required under the Business Plan, and secondly, the performance linked element appears to be appropriate because the executives strive to achieve a level of performance which qualifies them for bonuses.

The remuneration for all non-executive directors, last voted upon by shareholders at the 2007 AGM, is not to exceed $500,000 per annum. Director's base fees are presently up to $20,000. Directors receive additional cash benefit of $2,500 for participation and attendance at each board approved committee, up to a maximum $5,000.

Names and positions held of consolidated entity key management personnel in office at any time during the financial year are:

Key Management Person	**Position (s) Held during the Year**
Alfred J. Chown	Chairman/Managing Director of EGY and Managing Director of BWC
Gary A. Ferguson	Director – Non-executive of EGY and Director of BWC
Philip W. Dulhunty	Director – Non-executive of EGY
Yulin Hu	Director – Non-executive of EGY
Matthew Driscoll	Director – Non-executive of EGY
Gregory. R. Knoke	CFO/Company Secretary of EGY and BWC
Nicholas Cousins	General Manager BWC

Options and Rights Holdings

Gregory R. Knoke and Nicholas Cousins currently hold Nil Options issued under the Share Option Plan (FY2017 200,000 each). Refer also Note 27.

Shareholdings Number of Shares held by Key Management Personnel	**Balance 30 June 2017**	Received as Remuneration	Purchases	Disposals	**Balance 30 June 2018**
Specified directors					
Alfred J Chown	50,660,691	-	-	-	50,660,691
Gary A. Ferguson	29,096,851	8,670,900	9,498,375	-	47,266,126
Philip W. Dulhunty	17,045,135	5,650,000	-	-	22,695,135
Yulin Hu	83,679,269	4,166,700	-	-	87,845,969
Matthew Driscoll	327,313	2,250,000	-	-	2,577,313
Specified executives					
Gregory R. Knoke	6,962,415	-	500,000	(20,000)	7,442,415
Nicholas Cousins	-	-	-	-	-
	187,771,674	20,737,600	9,998,375	(20,000)	218,487,649

Details of the nature and amount of each element of the remuneration of key management personnel including each director of the company and each of the specified executive officers of the company and the consolidated entity for the financial year are disclosed in the table on next page.

Remuneration Report (audited)

Remuneration of key management personnel (audited)

The following table provides the details of all directors of the Company ("specified directors") and the executives of the consolidated entity with the greatest authority ("specified executives"), and the nature and amount of the elements of their remuneration for the year ended 30 June 2018.

				Short-term benefits			**Post Employment Benefits**	**Share-based payment**	**Total**
2018				Cash, salary, fees & commissions	Cash Bonus	Other	Superannuation	Equity	
Specified Directors	**Position (s) Held**	**Date Left**	**Date Appointed**	$	$	$	$	$	$
Alfred J. Chown	Chairman/Managing Director of EGY and Managing Director of BWC	-	-	316,701	-		15,785	-	332,486
Gary A. Ferguson	Non-executive Director of EGY and Director of BWC	-	-	25,000	-	-	-	-	25,000
Philip W. Dulhunty	Non-executive Director of EGY	-	-	20,000	-	-	-	-	20,000
Yulin Hu	Non-executive Director of EGY	-	-	20,000	-	-	-	-	20,000
Matthew Driscoll	Non-executive Director of EGY	-	-	25,000	-	-	-	-	25,000
Specified executives									
Gregory R. Knoke	CFO/Company Secretary of EGY and BWC	-	-	178,372	-	8,669	16,124	-	203,165
Nicholas Cousins	General Manager BWC	-	-	123,905	-	18,000	11,615	-	153,520
				708,978	-	26,669	43,524	-	779,171

Remuneration Report (audited)

Remuneration of key management personnel (audited)

The following table provides the details of all directors of the Company ("specified directors") and the executives of the consolidated entity with the greatest authority ("specified executives"), and the nature and amount of the elements of their remuneration for the year ended 30 June 2017.

				Short-term benefits			Post Employment Benefits	Share-based payment	Total
2017				Cash, salary, fees & commissions	Cash Bonus	Other	Superannuation	Equity	
Specified Directors	**Position (s) Held**	**Date Left**	**Date Appointed**	$	$	$	$	$	$
Alfred J. Chown	Chairman/Managing Director of EGY and Managing Director of BWC	-	-	288,839	-	10,000	17,122	-	315,961
Gary A. Ferguson	Non-executive Director of EGY and Director of BWC	-	-	25,000	-	-	-	-	25,000
Philip W. Dulhunty	Non-executive Director of EGY	-	-	20,000	-	-	-	-	20,000
Yulin Hu	Non-executive Director of EGY	-	-	20,000	-	-	-	-	20,000
Matthew Driscoll	Non-executive Director of EGY	-	20/12/2016	10,000	-	-	-	-	10,000
Specified executives									
Gregory R. Knoke	CFO/Company Secretary of EGY and BWC	-	-	188,967	-	8,862	16,839	-	214,668
Nicholas Cousins	General Manager BWC	-	-	97,381	-	18,000	9,133	-	124,514
				650,187	-	36,862	43,094	-	730,143

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Corporate Governance Statement

The Company's corporate governance practices are discussed below. The Company and the Board of Directors are committed to achieving and demonstrating the highest standards of corporate governance and aim to comply with the Corporate Governance Principles and Recommendations set by the ASX Corporate Governance Council.

The Board of Directors guides and monitors the business and affairs of Energy Technologies Limited and its subsidiaries ("the Group") on behalf of the shareholders, by whom they are elected and to whom they are accountable. The Board is responsible for the overall corporate governance of the Group. To assist the Board in discharging its responsibilities the Board has adopted principles of corporate governance that are considered appropriate for the present size of the Group. Where it is not appropriate, cost effective or practical to comply fully with the Corporate Governance Principles and Recommendations, this fact has been disclosed together with reasons for the departure.

Consistent with the ASX recommendations, the Company's corporate governance practices are regularly reviewed. The information in this statement is current as at 31 August 2018.

Principle 1: Lay solid foundations for management and oversight

1.1: Board and Management Responsibilities

The Board is responsible for, and has the authority to determine, all matters relating to the running of the Company including the policies, operational practices, management and objectives of the Company. In carrying out its responsibilities, the Board undertakes to serve the interest of shareholders diligently and fairly. It is the role of management to manage the Company in accordance with the directives of the Board.

Accordingly certain functions and roles are reserved to the Board, and certain others are delegated to the senior executives of the Group.

The responsibilities of the Board include:

- formulating the vision and strategic direction and monitoring performance objectives of the Group
- overseeing and fostering an appropriate culture for the Group that is aligned to its values
- developing and monitoring adoption of the most appropriate principles of corporate governance
- ensuring adequate risk management processes are in place and are complied with
- reviewing internal controls, external audit reports and ensuring codes of conduct and regulatory compliance
- approving and monitoring the progress of major capital expenditure projects, funding programmes, acquisitions and divestments
- reviewing and approving annual business plans and budgets
- ensuring appropriate resources are available to senior executives
- reviewing and ratifying systems for health, safety and environmental management and controls
- appointing and evaluating the performance of senior executives
- appointing and creating succession policies for directors
- appointing, removing and creating succession policies for senior executives
- approving and monitoring financial and other reporting to shareholders and to the market.
- ensuring corporate accountability to the shareholders primarily through an effective communications strategy and through the Chairman adopting the key interface role between the Company and its shareholders.

A schedule of directors' meetings and attendances is detailed in the directors' report.

Corporate Governance Statement (Cont'd)

The Board has delegated responsibility for operation and day to day administration of the company to the Managing Director, the Chief Financial Officer and executive management.

The Managing Director is responsible for the achievement of the Company's goals, in accordance with the strategies and policies approved by the Board and with support from executive management. The specific duties of the Managing Director include:

- assisting the Board to develop the Company's Business Plan and goals
- responsibility for the achievement of these goals
- development in conjunction with senior management of short, medium and long term strategies to enable the Company to achieve its objectives
- preparation and update of business plans and relevant reports with senior management and implementation of those plans
- assessment of business opportunities including acquisitions
- proposing and controlling with Board approval items of material capital expenditure
- maintaining positive relationships with Board members, shareholders, trading partners and the investment community, including accepting the role of key spokesperson
- recommending and seeking appropriate approval for delegations of authority, key performance incentives and organizational changes, including key staff appointments, in conjunction with established board committees
- ensuring legal and regulatory compliance, in conjunction with senior management
- overall control of the staff appraisal process

1.2 and 1.3: Appointment of Directors

The experience, qualification and background of each Director is thoroughly assessed before appointment. This information is provided to shareholders through announcement to the market.

Information on each Director's background and qualification can be found on pages 5 and 6 of the Annual Report.

The Company issues written notice of appointment for new Directors or senior executives setting out the terms and conditions relevant to that appointment and the expectations of the role of the director. The Company also provides an induction process which provides key information on the nature of the business and its operations.

1.4: Company Secretary

The company secretary is accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board. On day to day matters the Company Secretary reports to the Managing Director.
The responsibilities of the Company Secretary include:

- advising the board and committee on governance issues;
- monitoring adherence to company policies;
- co-ordinating and timing despatching of Board and committee papers; and.
- ensuring that the business at Board and committee meetings are accurately captured in the minutes.

Corporate Governance Statement (Cont'd)

1.5: Diversity

The Company has adopted policies in relation to employment and recruitment which require the introduction of new staff and management of the Group's employees on a non-discriminatory basis. Hiring policies are backed by policies in relation to Sexual Harassment and Grievance and Dispute Handling.

The Group is quite small. Some new employees have been employed by BWC since its purchase, but only very few. The small scale of the company's hiring means that it is difficult to target new employees on a gender basis.

The Company's policies are intended to ensure that equal opportunity is given to all potential employees, and that increasing gender diversity at all levels will not be discouraged. The Board will keep the gender composition of its workforce under review.

Thirteen per cent (13%) of all the Group's employees are women. There is currently one female on the Board as Alternate Director to Yulin Hu.

1.6 and 1.7: Board and Management Reviews

The Board undertakes a review of the Managing Director and of senior executive performance at least annually, together with the Remuneration Committee, including setting targets. The performance evaluation is carried out in accordance with the policy and procedure set out in the Company's Corporate Governance documents, which are available on the Company's website.

Principle 2: Structure the board to add value

The composition of the Board is structured to efficiently discharge its responsibilities and duties.

2.1 : Nomination Committee

The names and qualifications of those appointed to the nomination committee for the year ended 30 June 2018 and their attendance at meetings of the committee are included in the directors' report. This committee is involved in the overseeing of the appointment and induction process for new directors, committee members and senior management.

The Nomination Committee is not chaired by an independent director and the Committee is not made up of a majority of independent directors. The Company is not of sufficient size to achieve this and due to the small number of directors and senior executives and the status of director's independence it is not currently possible to achieve a majority of independent members.

For Directors retiring by rotation, the Board assesses that director before recommending re-election.

2.2 : Board skills matrix

The Board of Directors is comprised of a Managing Director and Chairman, together with four non-executive Directors and an Alternate Director. The Board considers that a diversity of skills, knowledge, experience, backgrounds and gender is required to effectively govern the business. The current Board profile addresses this with the following experience, skills and qualifications represented on the Board:

- international business and senior executive experience, including owning and managing businesses in the energy sector and other;
- experience on listed and unlisted company and association boards as executive and non-executives and committee members;
- understanding the sectors in which the Company operates in including the energy sector, resources industry, infrastructure, construction;
- relevant operational experience in strategic planning, executive management; mergers and acquisitions, risk management, financial markets, contract negotiation and people management;
- financial and corporate governance acumen with finance sector and audit committee roles experience;
- an understanding of the health and safety challenges of the business.

Corporate Governance Statement (Cont'd)

2.3, 2.4, 2.5 : Board Composition, Independence of Directors and Chairman

The composition of the Board is determined in compliance with the Company's constitution. The names of the directors of the company in office at the date of this report, their term of office and their skills, experience and relevant expertise are detailed in the directors' report. The position and term in office of each Director at the date of this report is as follows:

Name of Director	Position	Term in Office	
		Years	Months
Alfred J. Chown	Chairman/Managing Director	21	2
Gary A. Ferguson	Non-executive	5	11
Philip W. Dulhunty	Non-executive	3	9
Yulin Hu	Non-executive	2	9
Meiping Hu	Alternate to Yulin Hu	2	9
Matthew Driscoll	Non-executive	1	8

The Company does not have a majority of independent directors on the board.

The non-executive Directors are materially independent in complying as a director who is not a member of management and who:

- has not within the last three years been employed in an executive capacity by the company or another group member, or been a director after ceasing to hold any such employment
- within the last three years has not been a principal or employee of a material professional advisor or a material consultant to the company or another group member
- is not a material supplier or customer of the company or another group member, or an officer of or otherwise associated with a material supplier or customer
- has no material contractual relationship with the company or another group member other than as a director of the company
- is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the company

However with the exception of newly appointed Director Matthew Driscoll all non-executive Directors currently hold directly and indirectly substantial shareholdings in the Company.

Under the Company's plan to appoint further non-executive independent Directors when value is added to the Board, Mr Matthew Driscoll was appointed on 20 December 2016. However Directors have continued to work as an effective team, with close liaison to act in the best interests of the Company and security holders. It is not considered that the materiality of Director's shareholding will interfere with the Director's capacity to bring independent judgement to bear on issues before the Board and impair the ability to continue to act in the best interests of the entity and its security holders generally.

During the 2013 financial year, Mr Alfred J. Chown was appointed as the Managing Director of the Company. After the resignation of former Board members, Mr Chown also adopted the position of Chairman of the Board. The company accepts that, as a principle, these roles should be separate. At present, however, there are factors which have made it desirable that they be exercised by the same person for the time being.

The Company and its subsidiary Bambach Wires and Cables Pty Ltd (BWC) continued to encounter difficult trading conditions during the year. The Managing Director continues to devote a great deal of time and energy to the operations of BWC, and its internal processes. The Managing Director and the other directors have been in frequent and informal contact during the year, in addition to the formal Board meetings. The strategy of the company, and the execution of the strategy, has been under frequent review, and the results under close scrutiny.

Directors have worked as an effective team, with close liaison. In the circumstances, directors have not felt it necessary to address the appointment of a new Chairman.

Corporate Governance Statement (Cont'd)

2.6 : Professional Development

Each Director has the right of access to all relevant Company information and to the Company's executives. The Directors also have access to external resources as required to fully discharge their obligations as Directors of the Company. The use of this resource is coordinated through the Chairman of the Board.

The Company has processes in place to review the performance of the Board and its committees and individual Directors. Each year the Board of Directors gives consideration to corporate governance matters, including the relevance of existing committees and to reviewing its own and individual Directors' performance. The Chairman is responsible for monitoring the contribution of individual Directors and consulting with them in any areas of improvement.

Principle 3: Promote ethical and responsible decision making

3.1 : Code of Conduct

The Board acknowledges the need for continued maintenance of the highest standards of Corporate Governance Practices and ethical conduct by all Directors and employees of the Group.

The Company has developed a Code of Conduct, an Employee Handbook and a comprehensive suite of policies which have been approved by the Board and apply to all employees, officers and Directors. This set of policies is regularly reviewed and may be amended as necessary to ensure it continues to reflect the best practices necessary to take into account legal obligations, maintain the Company's integrity and comply with the reasonable expectations of the Company's shareholders. The Code of Conduct is disclosed in the Company's Corporate Governance documents.

3.2 : Trading Policy

Trading in Company securities is regulated by the Corporations Act and the ASX Listing Rules. The Company's policy regarding directors and employees trading in its securities is set by the Board, and is disclosed in the Company's Corporate Governance documents. The policy restricts directors and employees from acting on material information until it has been released to the market and adequate time has been given for this to be reflected in the security's price.

Principle 4: Safeguard integrity in financial reporting

The following structure is set up to independently verify and safeguard the integrity of financial reporting.

4.1 : Audit Committee

The Board has established an audit committee. The names and qualifications of those appointed to the audit committee for the year ended 30 June 2018 and their attendance at meetings of the committee are included in the directors' report. The audit committee does not consist of a majority of independent directors, refer 2.3 Board Composition. Following the appointment of independent non-executive Director Matthew Driscoll the audit committee is constituted with three members. Mr Driscoll has been appointed as Chairman of the audit committee. The Board of the company now has six members including Alternate Director, however following the appointment of Mr Driscoll and the skills matrix, the Board has decided to retain the expanded structure at this time. The Board has decided not to appoint Alfred J. Chown, the Managing Director, to the audit committee. The Chief Financial Officer is invited to audit committee meetings at the discretion of the committee. The external auditor meets with members of the committee at least twice during the year.

The charter of the audit committee is disclosed in the Company's Corporate Governance documents.

The responsibilities of the audit committee include:

- Assessing whether non-audit services provided by the external auditor are consistent with maintaining the external auditor's independence. Each reporting period the external auditor provides an independence declaration in relation to the audit or review.
- Providing advice to the Board in respect of whether the provision of the non-audit services by the external auditor is compatible with the general standard of independence of auditors imposed by the Corporations Act 2001.

Corporate Governance Statement (Cont'd)

4.1 : Audit Committee (Cont'd)

The Company does not have an internal audit function due to the size and lack of complexity of the Company. The Company's Board and Management oversee the key areas of the business including the risk management and internal control processes of the Company and evaluate and look for opportunities to continually improve the effectiveness of these processes.

4.2 : Financial Reporting

To assist the Board in approving the Company's financial statements, the Managing Director and the Chief Financial Officer are required to present a declaration with regard to the integrity of the financial statements to confirm to the Board that the Company's financial statements present a true and fair view in all material respects of the Company's financial condition and that operational results are in accordance with applicable accounting standards and the Corporations Act.

4.3 : External Auditors

The Board of Directors ensures that the Company's external auditor attends all Annual General Meetings and be available to answer shareholders' questions about the conduct of the audit and the preparation and content of the auditor's report.

Principle 5: Make timely and balanced disclosure and respect the rights of shareholders

Disclosure

The Company has a Continuous Disclosure policy to ensure compliance with ASX Listing Rules and Corporations Act obligations to keep the market fully informed of any information which may have material effect on the price or value of its securities. The policy is disclosed in the Company's Corporate Governance documents. All ASX announcements are linked to the Company's website as soon as possible after confirmation from ASX, including financial statements.

The Company Secretary in consultation with the CEO and Directors is responsible for communications with the ASX. He is also responsible for ensuring compliance with the continuous disclosure requirements of the ASX Listing Rules, and overseeing and coordinating information disclosure to the ASX, analysts, brokers, shareholders, the media and the general public.

Principle 6: Respect the rights of shareholders

6.1 Information on website

The Company takes advantage of electronic communication for investor relations. The Company's, and subsidiary Bambach Wires and Cables Pty Ltd, website contains extensive information about the Board and management globally. It includes relevant press releases and media announcements in relation to the Company's operations, relevant announcements made to the market via the ASX, Company presentations and copies of financial statements. The Company has recently upgraded its website and further development to ensure continuous and full disclosure is currently under way.

The Company provides shareholders with copies of all announcements made to the ASX by mail on request. Copies are also available in its web site or the ASX web site, ensuring that all shareholders are kept informed about the Company. Shareholders also have the option of receiving a hard copy of the Annual Report each year.

6.2 and 6.3 Investor relations and participation at meetings

The Board encourages full participation of attending shareholders at the Annual General Meeting to maintain a high level of accountability and allow shareholders to identify the Company's strategies and goals. The Company completes the Notice of Meeting and Explanatory Notes so that they provide clearly and concisely all of the information relevant to shareholders to enable them to make decisions on matters to be voted on at the meeting. The General Meetings are viewed as a tool to communicate with shareholders and the Company encourages and allows time for participation in the meetings. The full Board and senior executives are present and available to answer questions from the floor, as is the external auditor.

Informal meetings and factory site visits with shareholders are also held from time to time. A regular newsletter is produced which is available on request.

6.4 Electronic Communication

The Company also encourages electronic communication directly via email with shareholders at all times.

Corporate Governance Statement (Cont'd)

Principle 7: Recognise and manage risk

7.1 : Risk Committee

The Group takes a proactive approach to risk management. The Board is responsible for ensuring that risks, and also opportunities, are identified on a timely basis and that the Group's objectives and activities are aligned with the risks and opportunities identified by the Board.

The Group believes that it is crucial for all Board members to be a part of this process, and as such the Board has not established a separate risk management committee. Instead sub-committees are convened as appropriate in response to particular issues and risks identified by the Board as a whole, and the sub-committee further examines the issue and reports back to the board.

7.2 : Risk Review

The Board identifies potential areas of business risk arising from changes in the financial and economic circumstances of its operating environment. It regularly assesses the Company performance in light of risks identified.

The Board has a number of mechanisms in place to ensure that management's objectives and activities are aligned with the risks identified by the Board. These include the following:

- Board approval of a strategic business plan, which encompasses the entity's vision, mission and strategy statements, designed to meet stakeholder's needs and manage business risk.
- Implementation of Board-approved operating plans and budgets and board monitoring of progress against these budgets, including the establishment and monitoring of key performance indicators (KPI's) of both a financial and non-financial nature.
- The establishment of committees to report on specific business risks, including for example, such matters as occupational health and safety.
- Regular management meetings involving executive directors, specified executives, and staff during which reports are given on production, sales, financial, compliance and strategic issues and decisions taken on operating matters, or referred to the Board.
- Regular reports and cash forecasts from the CFO which assist in discharging the Board's responsibility to manage the Group's financial risks. The Board is advised on such matters as the Group's liquidity, available credit and currency exposures and monitors actions to ensure they are in line with Company policy.
- The Board holds ongoing discussion of issues raised in the shareholder open days, in addition to the AGM, as well as other shareholder communications, to ensure that the Board is cognizant of the diverse needs of various stakeholders and assist in identifying the risks the business may face if those needs are not met, as well as specifically review and update the corporate strategy as necessary.

7.3 : Internal Audit

The Board does not employ an internal auditor, although as part of the Company's strategy to implement an integrated framework of control, the Board requests the external auditors review internal control procedures. Recommendations once presented are considered by the Board.

7.4 : Sustainability Risks

The Board regularly assesses risks associated with economic, global, environmental and social sustainability risks.

Corporate Governance Statement (Cont'd)

Principle 8: Remunerate fairly and responsibly

8.1 : Remuneration Committee

The Board has established a remuneration committee. The remuneration committee reviews and makes recommendations to the Board on remuneration packages and policies applicable to the Managing Director, senior executives and staff and directors themselves. It is also responsible for share option schemes, incentive performance packages, and compliance with superannuation requirements, termination entitlements, fringe benefits policies and professional indemnity and liability insurance policies as applicable.

The names of the members of the remuneration committee and their attendance at meetings of the committee are detailed in the directors' report. The remuneration committee in place for the year ended 30 June 2018 consists of three directors but did not have majority of independent directors. The Chief Financial Officer is invited to remuneration committee meetings, as required, to discuss senior executives and staff performance and remuneration packages.

The charter in relation to the remuneration committee is disclosed in the Company's Corporate Governance documents.

There are no schemes for retirement benefits other than statutory superannuation for non-executive directors.

8.2 : Executive and Directors Remuneration Policies

Remuneration levels are set to attract and retain appropriately qualified and experienced directors, senior executives and staff to run the consolidated entity. The board considers that the remuneration structure will be able to attract and retain the best executives with the necessary incentives to work to grow long-term shareholder value.

The remuneration committee obtains independent advice as necessary on the appropriateness of remuneration packages, given trends in comparative companies both locally and internationally. Remuneration includes a mix of fixed remuneration and performance-based remuneration. All senior executives receive a base salary, superannuation, fringe benefits and performance incentives. The remuneration committee reviews executive packages annually by reference to company performance, executive performance, comparative industry information and relevant independent advice. The performance of executives is measured against criteria agreed which is based on the forecast growth of the Company's turnover and profits and shareholders' value.

The Company's non-executive directors are paid directors' fees for their normal performance of duties as a director. Where there is a significant and sustained requirement for work by a director in excess of that considered normal for the Company, the Company will pay a one-off bonus in respect of that work.

The amount of remuneration for all directors and the highest paid executives, including all monetary and non-monetary components, are detailed in the Directors' Report.

8.3 : Equity based Remuneration Scheme

A revised Directors Equity Plan was established in 2017 and approved by shareholders at the 2017 Annual General Meeting.

Executives and employees are also entitled to participate in the EGY Share Option Plan also approved by shareholders at the 2017 Annual General Meeting.

Auditor's Independence Declaration

Nexia Australia

To the Board of Directors of Energy Technologies Limited

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

As lead audit director for the audit of the financial statements of Energy Technologies Limited for the financial year ended 30 June 2018, 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 & Assurance

Stephen Fisher
Director

28 September 2018

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Consolidated Income Statement

for the year ended 30 June 2018

	Note	Consolidated 2018 $	2017 $
Sales Revenue	**2(a)**	**15,270,586**	12,912,807
Cost of Sales	**3**	**(12,630,762)**	(10,776,667)
Gross Margin		**2,639,824**	2,136,140
Rendering of services	**2(a)**	**194,031**	130,985
Other revenue and Other Income	**2(b)**	**1,165,561**	1,253,339
Marketing expenses		**(43,004)**	(48,623)
Occupancy expenses		**(692,057)**	(581,739)
Administrative expenses		**(4,243,777)**	(4,225,655)
Finance costs	**3**	**(1,573,268)**	(1,116,446)
Depreciation and amortisation expenses	**3**	**(370,099)**	(284,300)
Other expenses		**(194,396)**	(241,230)
Loss before income tax		**(3,117,185)**	(2,977,529)
Income tax (expense) benefit	**4**	**(10,116)**	21,421
Loss after income tax		**(3,127,301)**	(2,956,108)
Loss/(Profit) attributable to non-controlling interest		**17,375**	14,905
Loss attributable to members of the parent entity		**(3,109,926)**	(2,941,203)
Earnings per share			
Basic loss per share (cents per share)	**8**	**(0.94)**	(0.90)
Diluted loss per share (cents per share)	**8**	**(0.94)**	(0.90)

The accompanying notes form part of these financial statements.

Consolidated Statement of Comprehensive Income

for the year ended 30 June 2018

	Consolidated	
	2018 **$**	2017 $
LOSS FOR THE YEAR	**(3,127,301)**	(2,956,108)
OTHER COMPREHENSIVE INCOME FOR THE YEAR AFTER TAX:		
Items that will be reclassified subsequently to profit or loss when specific conditions are met:		
Movement in foreign exchange relating to translation of controlled foreign entities	**(1,717)**	938
Exchange differences on foreign exchange relating to non-controlling interest	**(1,717)**	938
TOTAL OTHER COMPREHENSIVE (LOSS) INCOME FOR THE YEAR	**(3,434)**	1,876
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(3,130,735)**	(2,954,232)
TOTAL COMPREHENSIVE LOSS ATTRIBUTABLE TO:		
Members of the parent entity	**(3,111,643)**	(2,940,265)
Non-controlling interest	**(19,092)**	(13,967)
	(3,130,735)	(2,954,232)

The accompanying notes form part of these financial statements.

Consolidated Statement of Financial Position

as at 30 June 2018

	Note	Consolidated 2018 $	2017 $
CURRENT ASSETS			
Cash and cash equivalents	9	**188,541**	698,518
Trade and other receivables	10	**3,293,933**	3,957,127
Inventories	11	**4,555,356**	4,657,187
Other current assets	15	**122,164**	107,838
TOTAL CURRENT ASSETS		**8,159,994**	9,420,670
NON-CURRENT ASSETS			
Property, plant and equipment	13	**3,034,943**	3,017,855
Deferred tax assets	18(a)	**177,233**	187,349
Intangible assets	14	**2,718,326**	1,726,636
Other receivable	10	**82,852**	73,901
TOTAL NON-CURRENT ASSETS		**6,013,354**	5,005,741
TOTAL ASSETS		**14,173,348**	14,426,411
CURRENT LIABILITIES			
Trade and other payables	16	**5,877,561**	5,062,306
Financial liabilities	17	**10,121,531**	8,045,062
Short-term provisions	19	**662,320**	675,288
TOTAL CURRENT LIABILITIES		**16,661,412**	13,782,656
NON-CURRENT LIABILITIES			
Financial liabilities	17	**4,276,404**	4,507,541
Long-term provisions	19	**118,675**	105,998
TOTAL NON-CURRENT LIABILITIES		**4,395,079**	4,613,539
TOTAL LIABILITIES		**21,056,491**	18,396,195
NET LIABILITIES		**(6,883,143)**	(3,969,784)
EQUITY			
Issued capital	20	**9,496,447**	9,279,071
Reserves	21	**(1,051,734)**	(1,050,017)
Accumulated losses		**(14,746,798)**	(11,636,871)
Parent interest		**(6,302,085)**	(3,407,817)
Non-controlling interest		**(581,058)**	(561,967)
TOTAL DEFICIENCY		**(6,883,143)**	(3,969,784)

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 30 June 2018

	Issued Capital $	Reserves $	Accumulated losses $	Non-Controlling Interest $	Total $
Consolidated					
Balance at 01 July 2016	9,279,071	(1,050,955)	(8,695,668)	(548,000)	(1,015,552)
Comprehensive income					
Loss for the year	-	-	(2,941,203)	(14,905)	(2,956,108)
Other comprehensive income for the year	-	938	-	938	1,876
Total comprehensive income (loss) for the year	-	938	(2,941,203)	(13,967)	(2,954,232)
Transactions with owners, in their capacity as owners, and other transfers					
Equity contribution	-	-	-	-	-
Total transactions with owners, in their capacity as owners, and other transfers	-	-	-	-	-
Balance at 30 June 2017	**9,279,071**	**(1,050,017)**	**(11,636,871)**	**(561,967)**	**(3,969,784)**
Balance at 01 July 2017	**9,279,071**	**(1,050,017)**	**(11,636,871)**	**(561,967)**	**(3,969,784)**
Comprehensive income					
Loss for the year	**-**	**-**	**(3,109,926)**	**(17,375)**	**(3,127,301)**
Other comprehensive loss for the year	**-**	**(1,717)**	**-**	**(1,717)**	**(3,434)**
Total comprehensive income (loss) for the year	**-**	**(1,717)**	**(3,109,926)**	**(19,092)**	**(3,130,735)**
Transactions with owners, in their capacity as owners, and other transfers	**-**	**-**	**-**	**-**	**-**
Shares issued in lieu of directors fees	**217,376**	**-**	**-**	**-**	**217,376**
Total transactions with owners, in their capacity as owners, and other transfers	**217,376**	**-**	**-**	**-**	**217,376**
Balance at 30 June 2018	**9,496,447**	**(1,051,734)**	**(14,746,797)**	**(581,059)**	**(6,883,143)**

The accompanying notes form part of these financial statements.

Consolidated Statement of Cash Flows

for the year ended 30 June 2018

	Note	Consolidated 2018 $	2017 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		**17,309,340**	13,725,385
Interest received		**70**	274
Payments to suppliers and employees		**(17,980,889)**	(16,024,494)
Finance costs		**(153,455)**	(952,831)
Net cash outflow from operating activities	**26**	**(824,934)**	(3,251,666)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		**4,091**	-
Purchases of property, plant and equipment		**(301,606)**	(1,220,307)
Purchases of intangible development assets		**(1,080,833)**	(929,262)
Net cash outflow from investing activities		**(1,378,348)**	(2,149,569)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of Debenture notes		**-**	6,816,000
Proceeds from borrowings		**520,840**	1,243,356
Repayment of borrowings		**(297,705)**	(1,970,170)
Loans from Directors		**1,470,000**	-
Net cash inflow from financing activities		**1,693,135**	6,089,186
Net (decrease) increase in cash held		**(510,147)**	687,951
Cash at beginning of financial year		**698,518**	10,724
Effect of exchange rates on cash holdings in foreign currencies		**170**	(157)
Cash at end of financial year	**9**	**188,541**	698,518

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

for the year ended 30 June 2018

Note 1 Summary of Significant Accounting Policies

(a) Basis of Preparation

The financial statements are a general purpose financial report, which has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

The financial statements are presented in Australian dollars unless otherwise stated.

The financial statements were authorised for issue on 28 September 2018 by the directors of Energy Technologies Limited.

Energy Technologies Limited is a listed public company, incorporated and domiciled in Australia.

(b) Statement of compliance

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards as issued by the IASB. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

Except for cash flow information, the financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

(c) Going Concern

The consolidated entity incurred a loss after tax and non-controlling interest of $3,109,926 (2017: $2,941,203) and incurred negative cash flows from operations of $824,934 for the year ended 30 June 2018 (2017: negative $3,251,666). At balance date, including Debenture Notes totalling $6,816,000, current liabilities exceeded current assets by $8,501,418. The Debentures have a maturity date of 31 December 2020 and Directors do not expect the Debenture Notes will be redeemed within the twelve month period following the date of this report.

These matters give rise to a significant 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; and

(b) continued financial support from its current financiers;

Management have prepared a cash flow projection for the period to 30 September 2018 that supports the ability of the consolidated entity to continue as a going concern. The FY2019 budget on which the cash flow projection is based forecasts a 17% increase in sales revenues for the FY2019 from the FY2018 actual year. The cash flow projection also assumes the secured debenture facility remains in place.

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.

Notes to the Financial Statements

for the year ended 30 June 2018

Note 1 Summary of Significant Accounting Policies

(d) Principles of Consolidation

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by Energy Technologies Limited (EGY) at the end of the reporting period. The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Where controlled entities have entered or left the Group during the year, the financial performance of those entities is included only for the period of the year that they were controlled. A list of controlled entities is included in Note 12 to the financial statements.

In preparing the consolidated financial statements, all intragroup balances and transactions between entities in the consolidated group have been eliminated in full on consolidation.

Non-controlling interests, being the equity in the subsidiary not attributable, directly or indirectly, to a parent, are reported separately within the equity section of the consolidated statement of financial position and statements showing profit or loss and other comprehensive income. The non-controlling interests in the net assets comprise their interests at the date of the original business combination and their share of changes in equity since that date.

Changes in a parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (ie. transactions with owners in their capacity as owners).

(e) Business Combinations

Business combinations occur where an acquirer obtains control over one or more businesses.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The business combination will be accounted for from the date that control is attained, whereby the fair value of the identifiable assets acquired and liabilities (including contingent liabilities) assumed is recognised (subject to certain limited exemptions).

Where measuring the consideration transferred in the business combination, any asset or liability resulting from a contingent consideration arrangement is also included. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability is remeasured in each reporting period to fair value, recognising any change to fair value in the profit or loss, unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to business combinations are expensed.

The acquisition of a business may result in the recognition of goodwill or a gain from a bargain purchase. A gain from a bargain purchase is accounted for in the income statement at the acquisition date.

(f) Foreign currencies

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars (A$), which is the parent entity's functional currency.

Foreign currency transactions are translated into functional currency at the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are retranslated at the year-end exchange rate. Non-monetary items measured at fair value are reported at the exchange rate as at the date when fair value was determined.

Exchange differences arising on the translation of monetary items are recognised in the profit or loss, except where deferred in equity as a qualifying cash flow or net investment hedge. Exchange differences arising on the translation of non-monetary items are recognised directly in other comprehensive income to the extent that the underlying gain or loss is recognised in other comprehensive income; otherwise the exchange difference is recognised in profit or loss.

Notes to the Financial Statements

for the year ended 30 June 2018

Note 1 Summary of Significant Accounting Policies (Cont'd)

(f) Foreign currencies (Cont'd)

The financial results and position of foreign operations, whose functional currency is different from the Group's presentation currency, are translated as follows:

(i) Assets and liabilities are translated at exchange rates prevailing at the end of the reporting period;

(ii) Income and expenses are translated at average exchange rates for the period; and

(iii) Retained earnings are translated at the exchange rates prevailing at the date of the transaction.

The functional currencies of the overseas subsidiaries are:

D Power International Limited – Hong Kong Dollars

Exchange differences arising on translation of foreign operations with functional currencies other than Australian dollars are recognised in other comprehensive income and included in the foreign currency translation reserve in the statement of financial position. The cumulative amount of these differences is reclassified into profit or loss in the period in which the operation is disposed of.

(g) Property, plant and equipment

Each class of Plant and equipment is stated at cost or fair value as indicated, less accumulated depreciation and any impairment in value.

Increases in the carrying amount arising on revaluation of plant and equipment are credited to a revaluation surplus in equity. Decreases that offset previous increases of the same asset are recognised against revaluation surplus directly in equity; all other decreases are recognised in profit or loss.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Depreciation is calculated on both a straight-line and diminishing value basis over the estimated useful life of the asset as follows:

Buildings & Leasehold Improvements	10% to 25%
Plant and equipment	5% to 25%
Leased plant & Equipment	10% to 25%

Impairment

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount. The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses are recognised in the revaluation surplus or in the income statement, as set out above.

Notes to the Financial Statements

for the year ended 30 June 2018

Note 1 Summary of Significant Accounting Policies (Cont'd)

(h) Intangibles

Intangible assets

Intangible assets acquired separately are capitalised at cost as at the date of acquisition. Following initial recognition, the cost model is applied to the class of intangible assets.

The useful lives of Patents, Computer Software and Licenses are assessed and amortised over their useful lives and amortisation charged is taken to the income statement. Patents and licenses are amortised over 10 years and Computer Software over 4 years.

Intangible assets, excluding development costs, created within the business are not capitalised and expenditure is charged against profits in the year in which the expenditure is incurred.

Intangible assets are tested for impairment where an indicator of impairment exists, and in the case of indefinite life intangibles, at each reporting date, either individually or at the cash generating unit level. Useful lives are also examined on an annual basis and adjustments, where applicable, are made on a prospective basis.

Research and development costs

Expenditure on research activities is recognised as an expense when incurred.

Expenditure on development activities is capitalised only when it is probable that future benefits will exceed deferred costs and these benefits can be reliably measured. Capitalised development expenditure is stated at cost less accumulated amortisation. Amortisation is calculated using a straight-line method to allocate the costs over an estimated useful life of 20 years during which the related benefits are expected to be realised.

Development expenditure is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired. Capitalised development expenditure is measured at cost less any accumulated amortisation and impairment losses.

(i) Investments

All investments are initially recognised at cost, being the fair value of the consideration given and including acquisition charges associated with the investment.

Financial assets are classified at 'fair value through profit or loss' when they are held for trading for the purpose of short term profit taking. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

Amortised cost is calculated by taking into account any discount or premium on acquisition, over the period to maturity.

For investments carried at amortised cost, gains and losses are recognised in income when the investments are derecognised or impaired, as well as through the amortisation process.

For investments where there is no quoted market price, fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net asset base of the investment.

(j) Inventories

Manufacturing

Inventories are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition is accounted for as follows:

- Raw materials — valued on a rolling average cost;
- Finished goods and work-in-progress — cost of raw materials and standard cost of labour and a proportion of manufacturing overheads based on estimated machine man minute.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion.

Notes to the Financial Statements

for the year ended 30 June 2018

Note 1 Summary of Significant Accounting Policies (Cont'd)

(k) Impairment of assets

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Group makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

(l) Trade and other receivables

Trade receivables are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

A provision for doubtful debts will be made against specific trade receivables where collection of the debt, either in full or in part, remains uncertain. Bad debts are written off when identified.

(m) Cash and cash equivalents

Cash on hand and in banks and short-term deposits are stated at nominal value.

For the purposes of the Statement of Cash Flows, cash includes cash on hand, in banks and money market investments readily convertible to cash within 2 working days.

(n) Investments in Associates

Associates are companies in which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the entity, but is not control or joint control of those policies. Investments in associates are accounted for in the financial statements by applying the equity method of accounting, whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the Group's share of net assets of the associate company. The interest in an associate is the carrying amount of the investment together with any long term interests that in substance form part of the investors' net investment in the associate. In addition, the Group's share of the profit or loss of the associated company is included in the Group's profit or loss.

Profits and losses resulting from transactions between the Group and the associate are eliminated to the extent of the Group's interest in the associate.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group discontinues recognising its share of further losses until it has incurred legal or constructive obligations or made payments on behalf of the associate. When the associate subsequently makes profits, the Group will resume recognising its share of those profits once its share of the profits equals the share of the losses not recognised.

At the date of this report there are no investments in associates.

Notes to the Financial Statements

for the year ended 30 June 2018

Note 1 Summary of Significant Accounting Policies (Cont'd)

(o) Financial Instruments

(i) Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either the purchase or sale of the asset (ie trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified "at fair value through profit or loss'', in which case transaction costs are expensed to profit or loss immediately.

(ii) Classification and subsequent measurement

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest method, or cost.

Non-derivative financial liabilities other than financial guarantees are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

Forward exchange contracts (derivatives) are measured subsequently at Fair Value through profit and loss.

(p) Borrowing costs

Borrowing costs are recognised as an expense when incurred.

(q) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying consolidated benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

(r) Leases

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments.

Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

Notes to the Financial Statements

for the year ended 30 June 2018

Note 1 Summary of Significant Accounting Policies (Cont'd)

(s) Revenue

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and can be measured reliably. Risks and rewards are considered passed to the buyer at the time of delivery of the goods to the customer.

Rendering of services

Revenue is recognised only when services are completed.

Interest

Revenue is recognised as the interest accrues (using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

Dividends

Revenue is recognised when the shareholders' right to receive the payment is established.

(t) Income tax

The income tax expense for the year comprises current income tax expense/(income) and deferred tax expense/(income). Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, except for deferred tax liability on revaluation of plant and equipment not recognised due to the existence of unrecognised tax losses available for offset.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

(u) Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Notes to the Financial Statements

for the year ended 30 June 2018

Note 1 Summary of Significant Accounting Policies (Cont'd)

(v) Contributed equity

Issued and paid up capital is recognised at the fair value of the consideration received by the Company.

Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

(w) Employee benefits

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs.

Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

(x) Payables

Liabilities for trade creditors and other amounts are carried at amortised cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the consolidated entity.

(y) Fair Value

The Group subsequently measures some of its assets at fair value on a recurring basis. Fair value is the price the Group would receive to sell an asset in an orderly (ie unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset. The fair values of assets that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset (ie the market with the greatest volume and level of activity for the asset) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (ie the market that maximises the receipts from the sale of the asset after taking into account transaction costs and transport costs). For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

Notes to the Financial Statements

for the year ended 30 June 2018

Note 1 Summary of Significant Accounting Policies (Cont'd)

(z) Critical Accounting Estimates and Judgments

The directors evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the group.

Key Estimates

i) Impairment

The company assesses impairment at the end of each reporting period by evaluating conditions and events specific to the company that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions.

ii) Estimation of useful lives of assets

The estimation of the useful lives of assets has been based on historical experience as well as manufacturer's warranties (for plant and equipment), lease terms (for leased equipment), long term sales projections and customer requirements (for intangible assets) and turnover policies (for motor vehicles). In addition, the condition of the assets is assessed at least once per year and considered against the remaining useful life. Adjustments to useful lives are made when considered necessary.

iii) Revaluation of plant and equipment – refer to Note 13.

Key Judgements

i) Going Concern: Refer to details in Note 1(c)

ii) Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences as management considers that it is probable that future taxable profits will be available to utilise those temporary differences. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits over the next two years together with future tax planning strategies.

(aa) Government Grants

Government grants are recognised at fair value where there is reasonable assurance that the grant will be received and all grant conditions will be met. Grants relating to expense items are recognised as income immediately.

(bb) New and Revised Accounting Standards

Refer to Note 31.

Notes to the Financial Statements

for the year ended 30 June 2018

Note 2 Revenue and Other Income

	Consolidated	
	2018	2017
	$	$
(a) Revenue		
Sale of goods	**15,270,586**	12,912,807
Rendering of services	**194,031**	130,985
	15,464,617	13,043,792
(b) Other Revenue and Other Income		
Management Fee	**16,488**	61,200
R&D grant	**1,148,210**	1,189,865
Finance revenue	**70**	274
Other	**793**	2,000
Total Other Revenue and Other Income	**1,165,561**	1,253,339
	16,630,178	14,297,131

Note 3 Profit/(Loss) for the Year

Included in the determination of net loss before tax from continuing operations are the following expenses:

Expenses		
Cost of sales	**12,630,762**	10,776,667
Finance costs	**1,573,268**	1,116,446
Rental expense on operating leases:		
- minimum lease payments	**933,847**	879,976
Foreign Exchange Losses	**2,641**	913
Defined superannuation contributions expense	**256,506**	237,685
Research and Development expenditure	**1,558,731**	1,806,058
Depreciation and amortisation expenses	**370,099**	284,300

Notes to the Financial Statements

for the year ended 30 June 2018

Note 4 Income Tax Expense

	Consolidated 2018 $	2017 $
(a) The components of Income tax (benefit)/expense comprise:		
Current tax	-	-
Deferred tax	**10,116**	(21,421)
	10,116	(21,421)
(b) Reconciliation of the prima facie tax on profit/(loss) to income tax expense:		
Prima facie tax on (loss) before income tax at 27.5% (2017: 30.0%)	**(857,225)**	(893,259)
Add:		
Tax effect of:		
- other non-allowable items	**48,906**	191,777
- R&D expenditure non-allowable	**428,651**	541,817
- other assessable items	**5,364**	1,307
- tax losses not brought to account *	**690,062**	515,318
- deferred income tax	**10,116**	-
	1,183,099	1,250,219
Less:		
Tax effect of:		
- deferred income tax	**-**	21,421
- R&D grant non assessable	**315,758**	356,960
	315,758	378,381
Income tax (benefit)/expense on continued operations	**10,116**	(21,421)

*Current year tax losses unable to be offset within the group and not brought to account.

Notes to the Financial Statements

for the year ended 30 June 2018

Note 5 Key Management Personnel Compensation

Compensation of Key Management Personnel

Refer to the remuneration report contained in the Directors' Report for details of the remuneration paid or payable to each member of the Group's key management personnel (KMP) for the year ended 30 June 2018 and the comparative year.

The totals of remuneration paid to KMP of the company and the Group during the year are as follows:

	Consolidated	
	2018	2017
	$	$
Short-term employee benefits	**735,647**	687,049
Post-employment benefits	**43,524**	43,094
	779,171	730,143

Short-term employee benefits

These amounts include fees and benefits paid to the executive Chair and non-executive directors as well as all salary, paid leave benefits, fringe benefits and cash bonuses awarded to executive directors and other KMP.

Post-employment benefits

These amounts are the current year's estimated cost of providing for superannuation contributions made during the year and post-employment life insurance benefits.

Share-based payments

These amounts represent the expense related to the participation of KMP in equity-settled benefits schemes as measured by the fair value of the options, rights and shares granted on grant date.

Note 6 Auditors' Remuneration

	$	$
Remuneration of the auditor of the parent entity for:		
— auditing or reviewing the financial statements	**60,228**	80,500
— other services	**1,350**	-
	61,578	80,500
Remuneration of other auditors of subsidiaries for:		
— auditing or reviewing the financial statements	**8,579**	**-**
— tax compliance services	**3,176**	-
	11,755	-

Note 7 Dividends

No dividends have been paid or proposed by the Parent for the year ended 30 June 2018 (2017: Nil).

Notes to the Financial Statements

for the year ended 30 June 2018

Note 8 Earnings per Share

	Note	Consolidated 2018	2017
		$	$
(a) Reconciliation of earnings to profit or loss:			
Profit (loss)		**(3,127,301)**	(2,956,108)
Loss/(Profit) attributable to non-controlling interest		**17,375**	14,905
Earnings used to calculate basic and dilutive EPS		**(3,109,926)**	(2,941,203)
		Number	Number
(b) Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS		**331,331,693**	326,507,732
Weighted average number of dilutive options outstanding	**(c)**	**-**	-
Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS		**331,331,693**	326,507,732

(c) During the 2018 financial year no ordinary share options were issued to employees under an approved Share Option Plan – refer Note 27.

Note 9 Cash and Cash Equivalents

	$	$
Cash at bank and on hand	**188,541**	698,518
	188,541	698,518

Reconciliation of cash

Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the Statement of Financial Position as follows:

Cash and cash equivalents	**188,541**	698,518
	188,541	698,518

Notes to the Financial Statements

for the year ended 30 June 2018

Note 10 Trade and Other Receivables

	Note	Consolidated	
		2018	2017
		$	$
CURRENT			
Trade receivables	**(a)**	**2,045,624**	2,582,301
R and D receivable		**1,148,210**	1,189,865
Other receivables		**100,099**	184,961
		3,293,933	3,957,127

(a) Trade debtors are based on normal terms of trade, typically 30 days from end of month. Retention of title terms exist on sales.

NON CURRENT		
Other receivable - Deposits	**82,852**	73,901
	82,852	73,901

Note 11 Inventories

At cost		
Raw materials and stores	**588,325**	761,948
Work in progress	**165,214**	220,817
Finished goods	**3,801,817**	3,674,422
	4,555,356	4,657,187

A $340,000 write down was recorded of inventory as at 30 June 2018 following review of the stocktake. The adjustment was mainly in relation to raw materials in the factory and inventory in quarantine. Management recognise issues with stocktake procedures undertaken but consider that no further material provision is required.

Notes to the Financial Statements

for the year ended 30 June 2018

Note 12 Controlled Entitles

Controlled Entitles Consolidated	**Country of Incorporation**	**Percentage Owned (%)***	
Parent Entity:		**2018**	2017
Energy Technologies Limited	Australia		
Subsidiaries of Energy Technologies Limited :			
Bambach Wires & Cables Pty Limited	Australia	**100**	100
Cogenic Pty Limited	Australia	**100**	100
Dulhunty Engineering Limited (previously D Power International Limited)	British Virgin Islands	**51**	51
Dulhunty Engineering Limited (Hong Kong Branch)	Hong Kong	**51**	51

* Percentage of voting power is in proportion to ownership

Notes to the Financial Statements

for the year ended 30 June 2018

Note 13 Property, Plant and Equipment

	Consolidated 2018 $	Consolidated 2017 $
Leasehold Improvements		
Leasehold Improvements at independent valuation	**27,800**	27,800
Less: Accumulated depreciation	**(11,120)**	(8,340)
Total Leasehold Improvements	**16,680**	19,460
Plant and Equipment		
Plant and equipment - at cost (which approximates fair value)	**705,310**	556,252
Less: Accumulated depreciation	**(107,158)**	(70,451)
	598,152	485,801
Plant and equipment at independent valuation	**1,872,550**	1,887,550
Less: Accumulated depreciation	**(686,175)**	(523,231)
	1,186,375	1,364,319
Leased Plant and Equipment		
Capitalised leased assets – at cost (which approximates fair value)	**1,462,848**	1,310,301
Less: Accumulated depreciation	**(229,112)**	(162,026)
	1,233,736	1,148,275
Total Plant and Equipment	**3,018,263**	2,998,395
Total Property, Plant and Equipment	**3,034,943**	3,017,855

Movements in Carrying Amounts

Movements in carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

	Leasehold Improvements $	Plant and Equipment $	Leased Plant and Equipment $	Total $
Consolidated Entity:				
Carrying amount at the beginning of the year	19,460	1,850,120	1,148,275	3,017,855
Additions	-	149,059	152,547	301,606
Disposals	-	(15,000)		(15,000)
Depreciation expense	(2,780)	(211,089)	(67,087)	(280,956)
Write-back on disposals		11,438		11,438
Carrying amount at the end of the year	16,680	1,784,528	1,233,735	3,034,943

Notes to the Financial Statements

for the year ended 30 June 2018

Note 13 Property, Plant and Equipment (Cont'd)

Revaluation of Plant and Equipment to Fair Value

In accordance with the measurement choice available under AASB 116 Property, Plant & Equipment and in order to reflect fair value, subsidiary Bambach Wires and Cables Pty Ltd (BWC) has obtained an independent valuation of existing plant and equipment as at 30 June 2014. The valuation report was completed under the following bases of value:

Fair Market Value in Continued Use (FMVICU)

Reinstatement with New Value (RIV)

The fair value of BWC Plant and Equipment and Leasehold Improvements under FMVICU was $1,975,750 at 30 June 2014. The Board adopted this value, which resulted in an increase in net plant and equipment value of $931,109 in BWC at 30 June 2014. The revaluation amount was recognised in the Asset Revaluation Reserve. A deferred tax liability of $140,598 at 30 June 2018 (2017: $165,978) in respect of the revaluation, has been set off against tax losses available to offset any liability arising upon a disposal of plant and equipment. Refer Note 18(d). EGY has no plans to dispose of its plant and equipment.

RIV value was reported as $7,520,750.

The Group initially recognises and measures its Plant and Equipment and Leasehold Improvements at cost. The Group subsequently measures some classes of its plant and equipment and its leasehold improvements at fair value on a recurring basis in accordance with AASB 116: *Property, Plant and Equipment.* Refer Notes 1(g) and 1(y).

Fair Value Measurement

AASB 13 Fair Value Measurement requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurements into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into, as follows:

- Level 1: Measurements based on quoted prices in active markets for identical assets that the entity can access at the measurement date.
- Level 2: Measurements based on inputs other than the quoted prices included in Level 1, but that are observable for the asset, either directly or indirectly.
- Level 3: Measurements based on unobservable inputs for the asset or liability.

Notes to the Financial Statements

for the year ended 30 June 2018

Note 13 Property, Plant and Equipment (Cont'd)

EGY's management considers that the inputs used for the fair value measurement are Level 2 and Level 3 inputs.

Valuation techniques

AASB 13 requires the valuation technique used to be consistent with one of the following valuation approaches:

- Market approach: techniques that use prices and other information generated by market transactions for identical of similar assets.
- Income approach: techniques that convert future cash flows or income and expenses into a single discounted present value.
- Cost approach: techniques that reflect the current replacement cost of an asset at its current service capacity.

EGY commissioned an external independent valuer to conduct a valuation of its unencumbered plant and equipment and leasehold improvements at 30 June 2014 using a market approach technique. The technique predominantly used recent observable market data for similar new equipment in Australia, adjusted for loss in value caused by physical deterioration, functional obsolescence and economic obsolescence. EGY's management considers that the market approach is the appropriate valuation technique in relation to its plant and equipment and leasehold improvements.

Inputs used in the market approach technique to measure Level 2 fair values were:

- current replacement cost of the property being appraised less the loss in value caused by physical deterioration, functional obsolescence and economic obsolescence;
- historical cost and relevant market data and industry expertise; and
- sales comparison for assets where available.

The assessments of the physical condition, functional obsolescence and economic obsolescence are considered Level 3 inputs.

EGY management has determined that the fair value of the plant and equipment as at 30 June 2018 does not differ materially from its carrying value.

Recurring fair value measurements:

	Level 2 2018 $	Level 2 2017 $
Plant and equipment	**3,018,263**	2,998,395
Leasehold improvements	**16,680**	19,460
Total non-financial assets recognised at fair value	**3,034,943**	3,017,855

The highest and best use of the assets is the fair market value in continued use, using the market approach technique.

Notes to the Financial Statements

for the year ended 30 June 2018

Note 14 Intangible Assets

	Consolidated	
	2018	2017
	$	$
Trademarks, computer software and licenses at cost	**17,686**	17,686
Accumulated amortisation and impairment	**(17,266)**	(17,014)
Net carrying value	**420**	672
Development Assets	**2,858,627**	1,777,794
Accumulated amortisation and impairment	**(140,721)**	(51,830)
Net carrying value	**2,717,906**	1,725,964
Total intangible assets	**2,718,326**	1,726,636
Consolidated Entity:		
Year ended 30 June 2018		
Balance at the beginning of the year	**1,726,636**	841,482
Additions	**1,080,833**	929,262
Amortisation	**(89,143)**	(44,108)
Balance at the end of the year	**2,718,326**	1,726,636

Intangible assets have finite useful lives. The current amortisation charges in respect of intangible assets are included under depreciation and amortisation expense.

The recoverable amount of intangible development assets have been assessed using a discounted cash flow methodology forecasting five years of pre-tax cash flows.

The following describes each key assumption on which management has based its value in use calculations:

(a) Five year pre-tax cash flow projections, based upon management approved budgets and growth rates covering a one year period, with the subsequent periods based upon management expectations of growth excluding the impact of possible future acquisitions, business improvement capital expenditure and restructuring.

(b) The discount factor used was 24.63% in 2018 (2017: 24.63%)

(c) The Directors have concluded that the recoverable amount of the intangible development assets and other intangibles exceed their carrying value.

Notes to the Financial Statements

for the year ended 30 June 2018

Note 15 Other Assets

	Consolidated	
	2018	2017
	$	$
CURRENT		
Prepayments	**122,164**	107,838
	122,164	107,838

Note 16 Trade and Other Payables

	Consolidated	
CURRENT		
Unsecured liabilities:		
Trade payables	**1,967,296**	2,777,191
Sundry payables and accrued expenses	**3,910,265**	2,285,115
	5,877,561	5,062,306

Trade payables are based on normal terms of trade, typically 60 days from end of month.

Notes to the Financial Statements

for the year ended 30 June 2018

Note 17 Financial Liabilities

	Note	Consolidated 2018 $	Consolidated 2017 $
CURRENT			
Secured liabilities:			
Debenture Notes	(a)	**6,816,000**	6,816,000
Less: transaction costs		**(189,714)**	(277,365)
		6,626,286	6,538,635
Hire Purchase and finance lease liability	(d)	**342,679**	326,427
Convertible Notes	(a) (c)	**100,000**	100,000
		7,068,965	6,965,062
Unsecured liabilities:			
Directors and executive loans	29	**2,050,000**	580,000
Other loan		**1,002,566**	500,000
		3,052,566	1,080,000
Total Current Financial Liabilities		**10,121,531**	8,045,062
NON CURRENT			
Secured liabilities:			
Hire Purchase and finance lease liability	(d)	**306,404**	537,541
Convertible Notes	(a) (c)	**2,700,000**	2,700,000
		3,006,404	3,237,541
Unsecured liabilities			
Convertible Notes	(a) (c)	**1,270,000**	1,270,000
		1,270,000	1,270,000
Total Non-Current Financial Liabilities		**4,276,404**	4,507,541
Total Financial Liabilities		**14,397,935**	12,552,603
Total current and non-current secured liabilities:			
Hire Purchase and finance lease liability		**649,083**	863,968
Convertible Notes		**2,800,000**	2,800,000
Debenture Notes		**6,626,286**	6,538,635
		10,075,369	10,202,603

Notes to the Financial Statements
for the year ended 30 June 2018

Note 17 Financial Liabilities (Cont'd)

(a) Secured Debenture Notes raised FY2017 totalling $6,816,000 have a maturity date of 31 December 2020 and a redemption date of 31 July 2018 as executed by Deed Poll. 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. Interest accrued on the debentures and convertible notes (refer Note (c) below) as at 30 June 2018 is $1,723,436 (2017: $616,556). The company is in arrears on its interest commitments under the debenture note and convertible note facilities. This is not considered a material adverse event by the note holder group leader and is tolerated whilst the company meets product development and revenue growth targets. Should the company lose the confidence of the group leader any interest arrears would be called upon to be caught up and if this did not occur a material adverse event would be triggered and the group leader may call for repayment of the debenture and/or convertible notes.

The Debenture Notes are secured by General Security Agreements (GSA) given by EGY as borrower and Bambach Wires and Cables Pty Ltd as guarantor under a Deed of Guarantee and Indemnity in favour of each note holder, ranking behind permitted encumbrances only. The GSA agreements grant the note holders security interest over the collateral of each grantor, defined as all the grantor's present and after-acquired rights, assets and undertaking of the grantor, including each of the following:

- **(i)** All present and after-acquired property of the Grantor.
- **(ii)** All present and after-acquired estates and interests in land in which the Grantor has an interest.
- **(iii)** All present and after-acquired rights, assets and undertaking of the Grantor in any PPSA retention of title property.

Under a Deed of Priority, secured existing convertible note holders for $2.55m of notes have security ranked equally with debenture note holders. The remaining $250,000 of secured convertible notes are secured by a second ranking charge.

(b) During the financial year the group repaid $297,705 (2017:$1,970,170) of both long and short term interest bearing debt.

(c) During FY 2014 and FY 2015 EGY raised $2,800,000 by the issue of secured convertible notes which mature on 31 December 2020. During FY 2016 EGY raised a further $1,270,000 by the issue of unsecured convertible notes, which mature on 31 December 2020. In total 4,070 Convertible Notes have been issued, each with a face value of one thousand dollars to investors. Each investor is paid interest at the rate of one per cent (1%) per annum on the amount of their commitment from the time of commitment and each Convertible Note bears 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. Refer to note (a) above for security details of the secured convertible notes

(d) Hire purchase and finance lease liabilities are secured by the underlying financed assets

Note 18 Tax

	Note	Consolidated 2018 $	2017 $
(a) Deferred Tax Assets			
Deferred tax assets comprise:			
Provisions	**18(b)(ii)**	**177,233**	187,349
		177,233	187,349
(b) Reconciliations			
(i) Gross Movements			
The overall movement in the deferred tax account is as follows:			
Opening balance		**187,349**	165,928
Credit/(Charge) to the income statement	**4**	**(10,116)**	21,421
Closing balance		**177,233**	187,349

Notes to the Financial Statements

for the year ended 30 June 2018

Note 18 Tax (Cont'd)

	Note	Consolidated 2018 $	2017 $
(ii) Deferred Tax Assets			
The movement in deferred tax assets for each temporary difference during the year is as follows:			
Provisions			
Opening balance		**187,349**	165,928
Credited (charge) to the income statement		**(10,116)**	21,421
Closing Balance		**177,233**	187,349
Total Deferred Tax Assets		**177,233**	187,349
(c) Deferred tax assets not brought to account, the benefits of which will only be realised if the conditions for deductibility set out in Note 1(t) occur are:			
Temporary differences		**52,558**	48,169
Tax losses: capital losses		**1,256,950**	1,256,950
Tax losses: operating losses		**5,056,449**	4,287,055
Less potential tax loss benefits offset against deferred tax liability - refer (d)		**(140,598)**	(165,978)
Tax losses: operating losses net of offsets		**4,915,851**	4,121,077
(d) Deferred tax liability is offset against unrecognised tax losses:			
Revaluation of plant and equipment, and leasehold improvements		**140,598**	165,978
Less: Offset of unrecognised tax loss benefit		**(140,598)**	(165,978)
Net deferred tax liability		**-**	-

Notes to the Financial Statements

for the year ended 30 June 2018

Note 19 Provisions

	Consolidated	
	2018	2017
	$	$
CURRENT		
Employee Entitlements		
Opening balance at beginning of year	**675,288**	576,774
Additional provisions raised during year	**(12,968)**	98,514
Balance at end of the year	**662,320**	675,288
NON CURRENT		
Employee Entitlements		
Opening balance at beginning of year	**105,998**	95,358
Additional provisions raised during year	**12,677**	10,640
Balance at end of the year	**118,675**	105,998
Analysis of Total provisions		
Current	**662,320**	675,288
Non-current	**118,675**	105,998
	780,955	781,286

Provision for Employee Entitlements

A provision has been recognised for employee entitlements relating to annual leave and long service leave. In calculating the present value of future cash flows in respect of long service leave and annual leave not expected to be settled within twelve months, the probability of that leave being taken is based on historical data. The measurement and recognition criteria relating to employee benefits have been disclosed in Note 1(w) to the financial statements.

Notes to the Financial Statements

for the year ended 30 June 2018

Note 20 Issued Capital

	Consolidated	
	2018	2017
	$	$
Number of Ordinary shares fully paid 348,245,332 (2017: 326,507,732):	**9,496,447**	9,279,071
	9,496,447	9,279,071

Ordinary Shares	2018 Number	2017 Number	$	$
At the beginning of reporting period	**326,507,732**	326,507,732	**9,279,071**	9,279,071
Shares issued during year				
11 April 2018	**21,737,600**	**-**	**217,376**	-
At reporting date	**348,245,332**	326,507,732	**9,496,447**	9,279,071

<u>Terms and conditions:</u>

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings. In the event of winding up of the company, ordinary shareholders rank after creditors and are fully entitled to any proceeds of liquidation.

Note 21 Reserves

	Consolidated	
	2018	2017
	$	$
Exchange differences arising on translation of foreign controlled subsidiaries	**(1,982,843)**	(1,981,126)
Asset Revaluation	**931,109**	931,109
	(1,051,734)	(1,050,017)

Share Based Payments Reserve:

During financial year ended 30 June 2015 the company issued 2,800,000 options to staff under the Share Option Plan but the fair value of the options at grant date was negligible and accordingly not recognised in the Share Based Payments Reserve. These options expired FY 2018 (refer Note 27).

Notes to the Financial Statements

for the year ended 30 June 2018

Note 22 Parent Entity Disclosures

(a) Financial Position

	2018	2017
	$	$
CURRENT ASSETS		
Cash and cash equivalents	**678**	7,801
Trade and other receivables	**6,012,803**	6,338,645
Other Current Assets	**60,664**	29,052
TOTAL CURRENT ASSETS	**6,074,145**	6,375,498
NON CURRENT ASSETS		
Financial Assets	**479,773**	1,664,918
Property, plant and equipment	**2,790**	2,825
Intangible assets	**420**	672
TOTAL NON CURRENT ASSETS	**482,983**	1,668,415
TOTAL ASSETS	**6,557,128**	8,043,913
CURRENT LIABILITIES		
Trade and other payables	**2,162,789**	1,057,572
Financial liabilities	**7,158,857**	6,836,000
Short-term provisions	**139,666**	143,585
TOTAL CURRENT LIABILITIES	**9,461,312**	8,037,157
NON CURRENT LIABILITIES		
Financial liabilities	**3,970,000**	3,970,000
Other non-current liabilities	**8,959**	6,540
TOTAL NON CURRENT LIABILITIES	**3,978,959**	3,976,540
TOTAL LIABILITIES	**13,440,271**	12,013,967
NET LIABILITIES	**(6,883,143)**	(3,969,784)
EQUITY		
Issued capital	**9,496,447**	9,279,071
Accumulated Losses	**(16,192,371)**	(13,061,636)
Asset Revaluation Reserve	**(187,219)**	(187,219)
TOTAL DEFICIENCY	**(6,883,143)**	(3,969,784)

Notes to the Financial Statements

for the year ended 30 June 2018

Note 22 Parent Entity Disclosures (Cont'd)

(b) Financial Performance

	2018 $	2017 $
Loss for the year	**(3,130,735)**	(2,954,232)
Other comprehensive Loss	**-**	-
Total Comprehensive Loss	**(3,130,735)**	(2,954,232)

(c) Parent entity result includes impairment of investment in controlled entities of $1,185,145 (2017: $1,512,591)
(d) Guarantees entered into by the parent entity in relation to the debts of its subsidiaries $Nil (2017: $Nil).
(e) Contingent Liabilities of the Parent Entity – Refer to Note 24.
(f) Commitments for the acquisition of Property, Plant and Equipment by the parent entity $Nil (2017 $Nil)

Note 23 Capital and Leasing Commitments

	Consolidated	
	2018	2017
	$	$
(a) Operating Lease Commitments		
Non-cancellable operating leases contracted for but not capitalised in the financial statements		
Payable — minimum lease payments		
— not later than 12 months	**885,788**	848,533
— between 12 months and 5 years	**1,098,504**	1,534,970
	1,984,292	2,383,503
(b) Hire Purchase and Finance Lease Commitments		
— not later than 12 months	**396,820**	384,393
— between 12 months and 5 years	**346,068**	631,347
Payable — minimum lease payments	**742,888**	1,015,740
Less future finance charges	**93,805**	151,772
Present value of minimum lease payments (Note 17)	**649,083**	863,968

Notes to the Financial Statements

for the year ended 30 June 2018

Note 23 Capital and Leasing Commitments (Cont'd)

(c) Capital Expenditure Commitments

Deposits have been paid totalling US $91,860 for new equipment quoted at total cost US $545,000. The amount outstanding is US $453,140, expected to be paid upon completion.

Note 24 Contingent Liabilities

(a) John Fielding Limited

Previous financial statements of the company have noted a contingent liability to John Fielding Limited for services carried out prior to 30 June 1995 in regards to amendments to income tax returns. However in accordance with the contract no fee is payable until a cash benefit is received by the Company. At this stage no cash benefit has been received by the Company. The maximum liability is $130,241.

(b) Lease Guarantee

The parent entity (EGY) has guaranteed the obligations of the formerly associated entity, Dulhunty Poles Pty Limited (DPPL), as tenant under the terms of a lease over premises Lot 1, 35-39 Buckley Grove, Moolap, Victoria. The lease is for a period of ten years, with rent payments commencing 1st August 2010. Rent is subject to fixed annual review and the total rental per the lease agreement for the ninth year excluding outgoings is $354,695. DPPL was entitled to rental incentive rebates over the first three years of the lease.

Note 25 Segment Reporting

Primary reporting - Business segments

The group's primary business segment is Specialist and Industrial Cables. Therefore the segment details are fully reflected in the results and balances reported in the Income Statement and Statement of Financial Position.

Segment accounting policies

Inter-segment pricing is determined on an arms-length basis and is eliminated on consolidation.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment capital expenditure is the total costs incurred during the period to acquire segment assets that are expected to be used for more than one period.

Notes to the Financial Statements

for the year ended 30 June 2018

Note 26 Cash Flow Information

	Note	Consolidated 2018 $	2017 $
(a) Reconciliation of Cash Flow from Operations with Net Profit/(Loss) after Income Tax			
Net profit/(loss) after income tax		**(3,127,301)**	(2,956,108)
Non-cash flows in profit/(loss)			
Depreciation of non-current assets		**280,956**	240,192
Amortisation of intangibles		**89,143**	44,108
Unrealised foreign exchange movements		**744**	2,034
Net loss (gain) on disposal of property, plant and equipment		**(529)**	11,395
Hire Purchase Interest Charges		**60,198**	26,038
Amortisation of Debenture Transaction costs		**87,651**	48,435
Non-Operating Cash Flow Cash Items			
Shares issued in lieu of director fees		**217,376**	-
Transaction costs in relation to issue of debentures		**-**	(325,800)
Changes in assets and liabilities			
(Increase)/decrease in trade and other receivables		**663,194**	(614,724)
(Increase)/decrease in inventories		**101,831**	(1,048,514)
Increase/(decrease) in trade payables and accruals		**815,255**	1,224,185
(Increase)/decrease in deferred tax asset		**10,116**	(21,421)
(Increase) /decrease in value of other current assets		**(14,326)**	38,611
(Increase) /decrease in value of other non current receivables		**(8,951)**	(29,251)
Increase/(decrease) in provisions for employee entitlements		**(291)**	109,154
Cash flow (outflows) from operations		**(824,934)**	(3,251,666)

(b) Credit Facilities

The Group has in place hire purchase and finance lease facilities. At balance date $649,083 (2017: $863,968) of these facilities have been utilised.

(c) Reconciliation of liabilities arising from financing activities

	Notes	30/06/17 $	Cash flows $	Non-cash changes: Transaction Costs $	Non-cash changes: Foreign exchange movement $	30/06/18 $
Debenture Notes	17	6,816,000	-	-	-	6,816,000
Less Transaction Cost	17	(277,365)	-	87,651	-	(189,714)
		6,538,635	-	87,651	-	6,626,286
Convertible Notes	17	4,070,000	-	-	-	4,070,000
Directors and executive loans	17	580,000	1,470,000	-	-	2,050,000
Other loans	17	500,000	498,218	-	4,348	1,002,566
HP and finance lease	17	863,968	(275,083)	60,198	-	649,083
Total		12,552,603	1,693,135	147,849	4,348	14,397,935

Notes to the Financial Statements
for the year ended 30 June 2018

Note 27 Share-Based Payments

(a) Employee Share Option Plan

The following share-based payment arrangements existed at 30 June 2018 under the EGY Share Option Plan:

The plan provides for any employee or director or officer, who has been an employee, director or officer of the company or any subsidiary for longer than six months to receive an offer from the company for options over ordinary shares for no consideration.

Each option is convertible to one ordinary share and the option holds no voting or dividend rights. There are no voting rights attached to the unissued ordinary shares. Voting rights will be attached to the unissued ordinary shares when the options have been exercised.

The exercise price of the options determined in accordance with the Rules of the plan was based on the weighted average price of the Company's shares traded on the ASX during the twenty trading days prior to the date of the offer.

Options are exercisable commencing either 1) For employees, directors or officers who have been in the employ of the company or any controlled entity for longer than 12 months, 14 days after the acceptance of the offer by the employee; or 2) for any other employee, director or officer, 14 days after such person completes 12 months of employment with the company or any of its controlled entities. All options expire on the earlier of three years after their issue or 12 months after the termination of the employee's employment.

	Consolidated			
	2018		2017	
	Number of Options	**Weighted Average Exercise Price**	Number of Options	Weighted Average Exercise Price
Outstanding at the beginning of the year	**2,200,000**	**0.008 cents**	2,800,000	0.008 cents
Granted	**-**		-	
Forfeited	**(2,200,000)**		(600,000)	
Exercised	**-**		-	
Outstanding at year-end	**-**		2,200,000	

(i) The options were granted on 13 February 2015. No options were issued to Directors. The expiry date for the options was 13 February 2018.

Note 28 Events After the Reporting Period

There has not arisen since the end of the financial period any matter of circumstance which, in the opinion of the directors of the Company, significantly affects the operations of the Group, the results of those operations, or the state of affairs of the Group in subsequent financial years.

Notes to the Financial Statements

for the year ended 30 June 2018

Note 29 Related Party Transactions

No loans were made, guaranteed or secured by any entity in the consolidated entity to any group of key management personnel during the financial year.

Loans by Directors to the company

Included in the unsecured Convertible Notes on issue are notes issued to Directors and related parties of directors, Gary A Ferguson and Alfred J. Chown, who invested $550,000 and were issued 550 Convertible Notes. During the 2018 financial year, a total of $57,750 (2017: $57,984) was accrued as interest on these loans from directors or their related parties. Refer also Note 17 (c).

Included in the secured Convertible Notes on issue are notes issued to Directors and related parties of directors, Gary A Ferguson and Philip W Dulhunty, who invested $250,000 and were issued 250 Convertible Notes. During the 2018 financial year, a total of $26,278 (2017: $26,356) was accrued as interest on these loans from directors or their related parties.

Loans by Directors to subsidiary company

During the 2018 financial year Directors and related parties of directors, Yulin Hu and Alfred J. Chown made further loans of $1,470,000 (FY2017 :$580,000) to subsidiary Bambach Wires and Cables Pty Ltd. The loans are unsecured and repayable on demand. Interest is paid at the rate of ten percent per annum. Interest paid or accrued on these loans for the 2018 financial year was $91,942 (2017: $58,000).

An entity related to Mr Alfred J. Chown, Lora Glen Pty Ltd, has loaned subsidiary Bambach Wires and Cables Pty Ltd $94,086 (FY2017:$171,038) to facilitate the purchase of new equipment. This loan is unsecured and repayable on demand.

A key management person has made a short term loan of $10,000 (2017: $25,000) to subsidiary Bambach Wires and Cables Pty Ltd. This loan is unsecured and repayable by demand. During the 2018 financial year, a total of $2,363 (2017: $1,290) was accrued as interest on this loan.

The above loan transactions are on normal commercial terms and conditions.

Dulhunty Poles Pty Ltd (DPPL)

Lease Guarantee

Refer Note 24 Contingent Liabilities. EGY has guaranteed the lease obligation of DPPL, a formerly associated company of the Company.

Other transactions with the company or its controlled entities and director related entities

A number of specified directors and specified executives, or their personally-related entities, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of these entities.

A number of these entities transacted with the company or its subsidiaries in the reporting period. The terms and conditions of those transactions were 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.

Details of these transactions are as follows:

Mr Alfred J. Chown is a director of NLP International Limited. A subsidiary company, Dulhunty Engineering Limited (DPIL), formerly D Power International Limited, during the period employed the services of NLP International Limited as consultants. The consideration paid for these services was $12,000 (2017: $12,000) and is included in directors' emoluments.

An entity related to director Gary A Ferguson has entered into commercial hire purchase transactions with subsidiary Bambach Wires and Cables Pty Ltd. These transactions are secured by equipment. Interest rates vary between 9.25% and 12.5% per annum.

An entity related to director Alfred J. Chown has entered into commercial hire purchase transactions with subsidiary Bambach Wires and Cables Pty Ltd. These transactions are secured by equipment. Interest rates vary between 4.9% and 10.0% per annum.

The transactions above are on normal commercial terms and conditions.

Notes to the Financial Statements

for the year ended 30 June 2018

Note 30 Financial Risk Management Disclosures

(a) Capital Risk Management

Energy Technologies Limited (EGY) manages its capital to ensure that entities in the EGY Group will be able to continue as a going concern while maximising the potential return to stakeholders through the optimum balance of debt and equity. This strategy remains unchanged from FY2017.

The capital structure of the EGY Group consists of cash and cash equivalents, debt and equity attributable to equity holders of the EGY parent and to its operating subsidiary.

The EGY Group operates internationally through its subsidiary company DPIL based in Hong Kong. The EGY Group senior management monitors all externally imposed capital requirements in each jurisdiction to ensure compliance.

Operating cash flows are used to maintain and expand the Group manufacturing and distribution asset base as well as to meet routine outflows including tax and the repayment of maturing debt. The EGY Group Board and senior management consider the costs of capital and monitor the gearing ratio as a proportion of net debt to equity.

The gearing ratio at year end was as follows:

	Consolidated	
	2018	2017
	$	$
Current and Non Current Financial liabilities		
Debt (i)	**14,397,935**	12,552,603
Cash and cash equivalents	**(188,541)**	(698,518)
Net Debt	**14,209,394**	11,854,085
Equity (ii)	**(6,883,143)**	(3,969,784)

(i) Debt is defined as long-term and short-term borrowings.

(ii) Equity includes all capital and reserves and minority interest.

Notes to the Financial Statements

for the year ended 30 June 2018

Note 30 Financial Risk Management Disclosures (Cont'd)

(b) Financial Risk Management

In common with other businesses the EGY Group is exposed to risks that arise from the use of financial instruments. This note describes the objectives, policies and processes for managing those risks and the methods used to measure them. The EGY Group's financial instruments consist mainly of facilities with banks, convertible notes, debentures, short term loans, hire purchase, accounts receivable and payable, loans to and from subsidiaries, leases and derivatives. There have been no substantive changes in the EGY Group level of exposure to financial instrument risks or the objectives and processes for managing those risks from previous periods unless otherwise stated in this note.

(i) Financial Risk Management Objectives

The Board of Directors has overall responsibility for the determination of the EGY Group financial risk management framework and, whilst retaining ultimate responsibility for them, it has delegated authority for the design and implementation of operating processes ensuring effective risk management to the EGY Group's corporate treasury and finance function, which provides services to the business including negotiation and co-ordination of finance facilities, and the monitoring and management of the financial risks as they relate to the operations of the Group. The Board receives regular reports through which it reviews the effectiveness of the processes put in place and the appropriateness of the set objectives to control risk.

Overall the risk management strategy seeks to assist the Group in meeting its financial targets as well as minimizing the potential adverse effects on financial performance. The main exposures to financial instrument risk experienced by the EGY Group are credit risk, liquidity risk and market risk (including currency risk, interest rate risk and price risk). The EGY Group does not enter into financial instruments, including derivative financial instruments, for speculative purposes.

(ii) Credit Risk

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in a loss to the EGY Group. This arises principally from the Group's trade receivables. For the EGY Group this risk has been determined as low.

The maximum exposure to credit risk by class of recognised financial assets at the end of the reporting period, excluding the value of any collateral or other security held, is equivalent to the carrying amount and classification of those financial assets (net of any provisions) as presented in the Statement of Financial Position. Credit risk also arises through the provision of financial guarantees, as approved at Board level, given to parties securing the liabilities of a former associate (Refer 24(b) for details).

The Group has a general policy of only dealing with creditworthy counterparties. As well, a credit check system is also in place and credit checks are obtained from a reputable external source for selected new and overseas customers. Overseas customers' trade terms include use of documentary credit bank facilities in customer locations deemed at risk, as well as collateral payment. There are no material amounts of collateral held as security at 30 June 2018.

(iii) Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. Ultimate responsibility for liquidity risk management vests with the EGY Board of Directors and the main subsidiary Board of Directors, who apply an appropriate liquidity risk management framework to the Group's short, medium and long term funding requirements. The EGY Group manages liquidity risk by the retention of adequate reserves, banking facilities and reserve borrowing facilities and by monitoring forecast and actual cash flows, which are updated regularly by the treasury and finance function, and matching the maturity profiles of financial assets and liabilities.

(iv) Liquidity and interest rate tables

The following table details the EGY Group contractual maturity for non-derivative financial assets and liabilities and are based on undiscounted cash flows of financial assets and liabilities on the earliest date on which repayment can be required.

Notes to the Financial Statements
for the year ended 30 June 2018

Note 30 Financial Risk Management Disclosures (Cont'd)

	Effective Weighted Average Interest Rate - %		Floating Interest Rate $		Fixed Rate Within One Year $		Fixed Rate Over 1-5 Years $		Non-interest Bearing $		Total $	
CONSOLIDATED ENTITY	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
Financial Assets:												
Cash and cash equivalents	**1.50**	1.50	**188,541**	698,518	**-**	-	**-**	-	**-**	**-**	**188,541**	698,518
Receivables	**-**	-	**-**	-	**-**	-	**-**	-	**3,293,933**	3,957,127	**3,293,933**	3,957,127
Total Financial Assets			**188,541**	698,518	**-**	-	**-**	-	**3,293,933**	3,957,127	**3,482,474**	4,655,645
Financial Liabilities:												
Trade payables			**-**	**-**	**-**	-	**-**	-	**1,967,296**	2,777,191	**1,967,296**	2,777,191
Sundry payables			**-**	-	**-**	-	**-**	-	**3,910,265**	2,285,115	**3,910,265**	2,285,115
Hire purchase liability	**9.54**	9.59	**-**	-	**342,679**	326,427	**306,404**	537,541	**-**	-	**649,083**	863,968
Loans from directors and executives	**10.00**	10.00	**-**	-	**2,050,000**	580,000	**-**	-	**-**	-	**2,050,000**	580,000
Other Loans	**10.00**	12.00	**-**	-	**702,566**	500,000	**-**	-	**300,000**	-	**1,002,566**	500,000
Convertible notes	**9.50**	9.50	**4,070,000**	4,070,000	**-**	-	**-**	-	**-**	-	**4,070,000**	4,070,000
Debenture notes	**12.00**	12.00	**-**	-	**6,626,286**	6,538,635	**-**	-	**-**	-	**6,626,286**	6,538,635
Total Financial Liabilities			**4,070,000**	4,070,000	**9,721,531**	7,945,062	**306,404**	537,541	**6,177,561**	5,062,306	**20,275,496**	17,614,909
Net financial assets (liabilities)			**(3,881,459)**	(3,371,482)	**(9,721,531)**	(7,945,062)	**(306,404)**	(537,541)	**(2,883,628)**	(1,105,179)	**(16,793,022)**	(12,959,264)

Notes to the Financial Statements

for the year ended 30 June 2018

Note 30 Financial Risk Management Disclosures (Cont'd)

(v) Maturity analysis

Trade and other payables are expected to be paid within a period of 6 months from year end for the consolidated entity for 2018 and 2017.

(vi) Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the EGY Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk within acceptable parameters, while achieving optimum return.

(vii) Foreign currency risk management

The EGY Group is exposed to currency risk on investments that are denominated in a currency other than the respective functional currencies of Group entities, primarily the Australian dollar (AUD) and Hong Kong Dollar (HKD). The Group's investments in, and loans to, its subsidiaries are not hedged as these positions are considered to be long term in nature.

The carrying amount of the EGY Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date is as follows:

	Liabilities		Assets	
	2018	2017	**2018**	2017
	$'000	$'000	**$'000**	$'000
US Dollars	**223**	283	**1**	2
Euros	**1**	-	**-**	-
Hong Kong Dollars	**1**	-	**-**	-
Swiss Francs	**-**	-	**1**	4
Total	**225**	283	**2**	6

(viii) Forward exchange contracts

The EGY Group policy is, where possible, to allow group entities to settle liabilities denominated in their functional currency with the cash generated from their own operations in that currency. Where group entities have liabilities denominated in a currency other than their functional currency, cash already denominated in that currency will, where possible, be used from within the Group.

The Group's primary operating exposure is where trade receivables and payables are not denominated in their functional currency. The overall treasury function is based in Australia where the primary banking facilities are maintained. The Group also enters into forward exchange contracts to buy and sell specified amounts of foreign currencies in the future at stipulated exchange rates, with the objective of protecting the Group against unfavourable exchange rate movements for contracted sales and purchases in foreign currencies, primarily US Dollars.

At 30 June 2018 and 2017 there were no outstanding forward exchange contracts.

Notes to the Financial Statements

for the year ended 30 June 2018

Note 30 Financial Risk Management Disclosures (Cont'd)

(b) Financial Risk Management (Cont'd)

(ix) Foreign currency sensitivity analysis

The following table details the EGY Group's sensitivity to a 10% increase or decrease in the Australian Dollar against relevant foreign currencies. This sensitivity represents management's assessment of the reasonable possible change in foreign currency rates. Its analysis includes cash assets plus outstanding foreign currency denominated trade receivables and payables and adjusts their translation at the period end for a 10% change in foreign currency rates. A positive number indicates an increase in profit where the Australian dollar strengthens against the respective currency. For a weakening of the Australian dollar against the respective currency, there would be an equal and opposite impact on the profit.

	Consolidated	
Profit or Loss/Equity	**2018**	2017
	$'000	$'000
US Dollars	**(24)**	(31)
Euros	**(1)**	-
Hong Kong Dollars	**(1)**	-
Total	**(26)**	(31)

(x) Interest Rate Risk Management

The EGY Group is exposed to interest rate risk on cash and cash equivalents, which is the risk that a financial instrument's value will fluctuate as a result of changes in the market interest rates on interest bearing financial instruments. The EGY Group does not use derivatives to mitigate these exposures.

The EGY Group's fixed rate financial instruments represent short term borrowings, at fixed rates maturing over periods less than one year and long term borrowings at fixed rates maturing over periods of between 1 to 5 years. The Group's variable rate financial securities consist of bank accounts and convertible notes managed in Australia.

(xi) Interest rate sensitivity analysis

The following analysis indicates the effect of a 2% or 200 basis point increase or decrease in nominal interest rates, based on exposures in existence at the reporting date, and holding all other variables constant. This represents management's assessment of the reasonably possible change in interest rates as at that date.

	Consolidated	
	2018	2017
	$'000	$'000
Change in Net Profit:		
Interest rise by 2% (200 basis points)	**(276)**	(237)
Interest cut by 2% (200 basis points)	**276**	237
Change in Equity:		
Interest rise by 2% (200 basis points)	**(276)**	(237)
Interest cut by 2% (200 basis points)	**276**	237

Notes to the Financial Statements

for the year ended 30 June 2018

Note 30 Financial Risk Management Disclosures (Cont'd)

(b) Financial Risk Management (Cont'd)

(xii) Price Risk

The EGY Group is exposed to commodity price risk on the purchase of raw materials through its manufacturing operations in Australia. Futures markets and Economic Forecasts are monitored to determine whether to implement a commodity hedging policy.

(xiii) Fair value of financial instruments

The Group uses various methods in estimating the fair value of a financial instrument. The methods comprise:

Level 1 – the fair value is calculated using quoted prices in active markets.

Level 2 – the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

Level 3 – the value is estimated using inputs for the asset or liability that are not based on observable market data.

The fair value of the financial instruments as well as the methods used to estimate the fair value are summarised in the table below.

	Year Ended 30 June 2018				Year Ended 30 June 2017			
	Quoted Market Price (Level 1) $	Valuation technique – market observable inputs (Level 2) $	Valuation technique – non market observable inputs (Level 3) $	Total $	Quoted Market Price (Level 1) $	Valuation technique – market observable inputs (Level 2) $	Valuation technique – non market observable inputs (Level 3) $	Total $
Financial Liabilities								
Derivative instruments								
• Convertible note conversion feature	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-

Quoted market price represents the fair value determined based on quoted prices in active markets as at the reporting date without any deduction for transaction costs.

For financial instruments not quoted in active markets, the Group uses valuation techniques such as present value techniques, comparison to similar instruments for which market observable prices exist and other relevant models used by market participants. These valuation techniques use both observable and unobservable market inputs.

Financial instruments that use valuation techniques with only observable market inputs or unobservable inputs that are not significant to the overall valuation include interest rate swaps, forward commodity contracts and foreign exchange contracts not traded on a recognised exchange.

The fair values of other financial assets and liabilities approximates their carrying values at balance date.

Transfer between categories

There were no transfers between Level 1 and Level 2 during the year.

Notes to the Financial Statements

for the year ended 30 June 2018

Note 31 New and Amended Accounting Standards and Interpretations

(i) New and amended accounting standards and interpretations adopted by the Group

The Group adopted the following Australian Accounting Standards (new and amended) from the mandatory application date of 1 July 2017. The new and amended Standards are not expected to have a significant impact on the Group's financial statements except where otherwise stated:

AASB 2016-1 ***Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses [AASB 112]***

This Standard amends AASB 112 Income Taxes to clarify the circumstances in which the recognition of deferred tax assets may arise in respect of unrealised losses on debt instruments measured at fair value.

AASB 2016-2 ***Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107***

This Standard amends AASB 107 Statement of Cash Flows to include additional disclosures and reconciliation relating to changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

AASB 2016-4 ***Amendments to Australian Accounting Standards – Recoverable Amount of Non-Cash-Generating Specialised Assets of Not-for-Profit Entities***

This Standard amends AASB 136 Impairment of Assets so that not-for-profit entities holding non-cash-generating specialised assets at fair value in accordance with AASB 13 Fair Value Measurement no longer need to apply AASB 136.

AASB 2017-2 ***Amendments to Australian Accounting Standards – Further Annual Improvements 2014–2016 Cycle***

Specifies that summarised financial information relating to a subsidiary, associate or joint venture is not required by AASB 12 Disclosure of Interests in Other Entities where an entity's interests in those entities are classified as held for sale, held for distribution to owners in their capacity as owners or discontinued operations in accordance with AASB 5 Non-current Assets Held for Sale and Discontinued Operations.

(ii) New accounting standards and interpretations not yet adopted by the Group

Accounting Standards and Interpretations issued by the AASB that are not yet mandatorily applicable to the Group are discussed below. These new and amended Standards are not expected to have a material impact on the Group's financial statements except where otherwise stated:

Applicable to annual reporting periods beginning on or after 1 January 2018

AASB 2016-3 ***Amendments to Australian Accounting Standards – Clarifications to AASB 15***

This Standard amends AASB 15 Revenue from Contracts with Customers to clarify the requirements on identifying performance obligations, principal versus agent considerations and the timing of recognising revenue from granting a licence. In addition, it provides further practical expedients on transition to AASB 15.

AASB 2016-5 ***Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions***

This Standard amends AASB 2 Share-based Payment to address:

(a) the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;

(b) the classification of share-based payment transactions with a net settlement feature for withholding tax obligations; and

(c) the accounting for a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

AASB 2016-6 ***Amendments to Australian Accounting Standards – Applying AASB 9 Financial Instruments with AASB 4 Insurance Contracts***

This Standard amends AASB 4 Insurance Contracts to permit issuers of insurance contracts to: (a) choose to apply the 'overlay approach' to eligible financial assets to calculate a single line item adjustment to profit or loss; or (b) choose to be temporarily exempt from AASB 9 when those issuers' activities are predominantly connected with insurance.

Notes to the Financial Statements

for the year ended 30 June 2018

Note 31 New and Amended Accounting Standards and Interpretations (Cont'd)

(ii) New accounting standards and interpretations not yet adopted by the Group (Cont'd)

AASB 2017-1

Amendments to Australian Accounting Standards – Transfers of Investment Property, Annual Improvements 2014–2016 Cycle and Other Amendments

Clarifies that:

a) a change in classification to or from investment property can only be made where there is evidence of a change in use of the property. A change in management's intention is, in isolation, not evidence of a change in use; and

b) the election by a venture capital organisation, mutual fund, unit trust or similar entity to measure investments in an associate or joint venture at fair value through profit or loss is made separately for each associate or joint venture.

AASB 9

Financial Instruments

AASB 9 includes requirements for the classification and measurement of financial assets and incorporates amendments to the accounting for financial liabilities and hedge accounting rules to remove the quantitative hedge effectiveness tests and have been replaced with a business model test.

AASB 9 improves and simplifies the approach for classification and measurement of financial assets compared with the requirements of AASB 139 as follows:

a) Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows.

b) Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income.

c) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.

AASB 2012-6 also modifies the relief from restating prior periods by amending AASB 7 to require additional disclosures on transition to AASB 9 in some circumstances. Consequential amendments were made to other standards as a result of AASB 9 by AASB 2014-7 and AASB 2014-8. The mandatory application date of AASB 9 has been deferred to annual reporting periods beginning on or after 1 January 2018 by AASB 2014-1.

Following review it is not considered that the application of AASB 9 will have a material impact on the reporting by the group.

AASB 2017-3

Amendments to Australian Accounting Standards – Clarifications to AASB 4

AASB 2017-3 amends AASB 4 Insurance Contracts to confirm that in Australia compliance with AASB 1023 General Insurance Contracts and AASB 1038 Life Insurance Contracts ensures simultaneous compliance with AASB 4.

AASB 15

Revenue from Contracts with Customers

AASB 15 replaces AASB 118 Revenue, AASB 111 Construction Contracts and four Interpretations issued by the AASB and amends the principles for recognising revenue from contracts with customers. The Standard requires an entity to recognise revenue on a basis that depicts the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve that principle, an entity shall apply all of the following steps:

a) identify the contract with a customer;

b) identify the separate performance obligations in the contract;

c) determine the transaction price;

d) allocate the transaction price to the separate performance obligations in the contract; and

e) recognise revenue when (or as) the entity satisfies a performance obligation.

Consequential amendments to other Standards are made by AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15.

Following review it is not considered that the application of AASB 15 will have a material impact on the reporting of revenue by the group.

Notes to the Financial Statements

for the year ended 30 June 2018

Note 31 New and Amended Accounting Standards and Interpretations (Cont'd)

(ii) New accounting standards and interpretations not yet adopted by the Group (Cont'd)

Interpretation 22 — ***Foreign Currency Transactions and Advance Consideration***

The Interpretation clarifies that for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income is the date on which the entity recognises the payment or receipt of advance consideration in a foreign currency.

Applicable to annual reporting periods beginning on or after 1 January 2019

AASB 16 — ***Leases***

AASB 16 replaces AASB 117 Leases and sets out the principles for the recognition, measurement, presentation and disclosure of leases.

AASB 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligations to make lease payments.

A lessee measures right-of-use assets similarly to other non-financial assets (such as property, plant and equipment) and lease liabilities similarly to other financial liabilities. As a consequence, a lessee recognises depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows applying AASB 107 Statement of Cash Flows.

AASB 16 substantially carries forward the lessor accounting requirements in AASB 117 Leases. Accordingly, a lessor continues to classify its leases as operating leases or finance leases.

Early application is permitted provided the entity also applies AASB 15 Revenue from Contracts with Customers at or before the same date.

Interpretation 23 — ***Uncertainty over Income Tax Treatments***

Interpretation 23 clarifies how to apply the recognition and measurement requirements in AASB 112 *Income Taxes* when there is uncertainty over income tax treatments.

Consequential amendments are made to AASB 1 *First-time Adoption of Australian Accounting Standards* as a result of Interpretation 23 by AASB 2017-4.

AASB 2017-6 — ***Amendments to Australian Accounting Standards – Prepayment Features with Negative Compensation***.

This Standard amends AASB 9 to permit entities to measure at amortised cost or fair value through other comprehensive income particular financial assets that would otherwise have contractual cash flows that are solely payments of principal and interest but do not meet that condition only as a result of a prepayment feature.

AASB 2017-7 — ***Amendments to Australian Accounting Standards – Long-term Interests in Associates and Joint Ventures***

This Standard amends AASB 128 to clarify that an entity is required to account for long-term interests in an associate or joint venture, which in substance form part of the net investment in the associate or joint venture but to which the equity method is not applied, using AASB 9 *Financial Instruments* before applying the loss allocation and impairment requirements in AASB 128.

AASB 2018-1 — ***Annual Improvements to IFRS Standards 2015 - 2017 Cycle***

The amendments clarify certain requirements in:

i) AASB 3 Business Combinations and AASB 11 Joint Arrangements - previously held interest in a joint operation;

ii) AASB 112 Income Taxes - income tax consequences of payments on financial instruments classified as equity; and

iii) AASB 123 Borrowing Costs - borrowing costs eligible for capitalisation.

Notes to the Financial Statements

for the year ended 30 June 2018

Note 31 New and Amended Accounting Standards and Interpretations (Cont'd)

(ii) New accounting standards and interpretations not yet adopted by the Group (Cont'd)

AASB 2018-2

Amendments to Australian Accounting Standards – Plan Amendment, Curtailment or Settlement [AASB 119]

The amendment specifies how an entity accounts for defined benefit plans when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments require an entity to use the assumptions used for the remeasurement of the net defined benefit liability or asset to determine the current service cost and the net interest for the remainder of the reporting period after a plan event occurs.

Applicable to annual reporting periods beginning on or after 1 January 2021

AASB 17

Insurance Contracts

AASB 17 Insurance Contracts establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts. AASB 17 replaces AASB 4, AASB 1023 and AASB 1038 for for-profit entities.

Applicable to annual reporting periods beginning on or after 1 January 2022

AASB 2014-10

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to AASB 10 and AASB 128)

Amends AASB 10 and AASB 128 to remove the inconsistency in dealing with the sale or contribution of assets between an investor and its associate or joint venture. A full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

The mandatory application date of AASB 2014-10 has been amended and deferred to annual reporting periods beginning on or after 1 January 2022 by AASB 2017-5.

Directors' Declaration

The directors of Energy Technologies Limited declare that:

1. the financial statements and notes, as set out on pages 25 to 70, are in accordance with the Corporations Act 2001 and:
   (a) comply with Accounting Standards and the Corporations Regulations 2001;
   (b) comply with International Financial Reporting Standards as disclosed in Note 1; and
   (c) give a true and fair view of the financial position as at 30 June 2018 and of the performance for the year ended on that date of the company and consolidated entity;

2. the Managing Director and Chief Financial Officer have each declared that:
   (a) the financial records of the company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;
   (b) the financial statements and notes for the financial year comply with the Accounting Standards; and
   (c) the financial statements and notes for the financial year give a true and fair view;

3. 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
Chairman/Managing Director

Sydney, 28 September 2018

Nexia Australia

Independent Auditor's Report to the Members of Energy Technologies Limited

Report on the Audit of the Financial Report

Qualified opinion

We have audited the financial report of Energy Technologies Limited (the Company and its subsidiaries (the Group)), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, except for the possible effects of the matter described in the 'Basis for qualified opinion' section of our report, the accompanying financial report of the Group is in accordance with the Corporations Act 2001, including:

i) giving a true and fair view of the Group's financial position as at 30 June 2018 and of its financial performance for the year then ended; and

ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for qualified opinion

As noted in Note 11, there were inadequacies identified in the stocktake procedures performed by the Group. Management has acknowledged the deficiencies and is seeking to rectify the position with a full stock recount. Based on the audit procedures performed, quantities used in determining the inventory balance differed materially from the quantities verified at our stock take attendance and subsequent recounts. As noted in Note 11, management has adjusted for known misstatements to reduce inventory by approximately $377,000. We have estimated the potential impact of further misstatements to be an additional write-down in inventory to a maximum of $510,000. Accordingly, the net loss after tax is understated by the same amount.

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the 'auditor's responsibilities for the audit of the financial report' section of our report. We are independent of the Group in accordance with the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Material uncertainty related to going concern

We draw attention to Note 1(c) in the financial report, which indicates that the Group incurred a net loss after tax and non-controlling interest of $3,109,926 and incurred negative cash flows from operations of $824,934 during the year ended 30 June 2018 and, as of that date, the Company's current liabilities exceeded its current assets by $8,501,418. These events or conditions, along with other matters as set forth in Note 1(c), indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Basis for qualified opinion section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter	How our audit addressed the key audit matter
Capitalised Development Costs ($2,717,906) Refer to note 14 to the financial report. Included in the Group's intangible assets are capitalised development costs $2,717,906 in respect of development products. Capitalised development costs are considered to be a key audit matter due to the quantum of the asset; the degree of management judgement and assumptions applied in measuring the carrying value of the asset; and assessing the presence of impairment of a development phase asset. The most significant and sensitive judgments incorporated into the assessment for impairment of capitalised development costs include projections of cash flows, discount rates applied and assumptions regarding the Group's ability to exploit new products. Other considerations and judgments include whether the capitalised costs qualify for capitalisation as development phase costs in accordance with AASB 138 ***Intangible Assets***. This includes an understanding of the Group's process for recording and measuring internally developed assets and the Group's ability to complete the development and demonstrate its ability to generate future cash flows from that asset.	Our audit procedures on the development costs included, amongst others: ▪ We assessed whether the projects satisfied the requirements contained in AASB 138 for the capitalisation of development expenditure. ▪ We tested that material costs incurred during the year were appropriately allocated to the correct development asset. ▪ We assessed management's determination of the Group's cash generating units based on our understanding of the nature of the Group's business and how earnings streams are monitored and reported. ▪ We tested the Group's assumptions and estimates used to determine the recoverable value of its assets, including those relating to forecast revenue, cost, capital expenditure, and discount rates by corroborating the key market related assumptions to external data and by reference to our understanding of the business. ▪ We performed sensitivity analysis in two main areas to assess whether the carrying value of the capitalised development costs exceeded its recoverable amount. These were the discount rate and growth assumptions. ▪ We assessed the reasonableness of the estimate of effective useful life for development assets which have commenced sales.

Other information

The directors are responsible for the other information. The other information comprises the information in Energy Technologies Limited's annual report for the year ended 30 June 2018, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of the other information we are required to report that fact. We have nothing to report in this regard.

Directors' responsibility for the financial report

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibility for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at The Australian Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_files/ar2.pdf. This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 12 to 15 of the directors' Report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of Energy Technologies Limited for the year ended 30 June 2018, complies with section 300A of the Corporations Act 2001.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Nexia Sydney Audit & Assurance

Stephen Fisher
Director

Dated: 28 September 2018
Sydney

ASX Additional Information

Additional information required by the Australian Securities Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 31 August 2018.

(a) Distribution of equity securities

The number of shareholders, by size of holding, in each class of share are:

Ordinary shares

		Number of holders	Number of shares
1	- 1,000	109	60,117
1,001	- 5,000	256	639,206
5,001	- 10,000	113	842,963
10,001	- 100,000	189	7,506,494
100,001	and over	137	339,196,552
		804	348,245,332

	Number of holders	Number of shares
The number of shareholders holding less than a marketable parcel of shares are:	678	10,306,128

(b) Twenty largest shareholders

The names of the twenty largest holders of quoted shares are:

No	Name	No. of shares	%
1	Auster Holdings Pty Ltd	**87,845,969**	25.23
2	Alfred J. Chown	**50,660,691**	14.55
3	Richlake Pty Ltd	**15,688,235**	4.50
4	Dutchie Dog Pty Ltd – Dutchie Dog SF A/C	**14,736,187**	4.23
5	Richcreek Pty Ltd - GA & CJ Ferguson S/F A/C	**12,783,704**	3.67
6	The Western Division Pty Ltd	**11,700,000**	3.36
7	Zurich Square Investments Limited	**9,498,375**	2.73
8	Philip W Dulhunty	**9,278,468**	2.66
9	Jaspero Pty Ltd	**8,916,667**	2.56
10	Gary A Ferguson	**8,670,900**	2.49
11	Anthony C. Wilson	**5,800,000**	1.67
12	Edmund Lacis	**5,103,286**	1.47
13	Gregory R. Knoke - The Knoke Super Fund A/C	**5,085,945**	1.46
14	HSBC Custody Nominees A/C 2	**4,804,432**	1.38
15	Alex Hill	**4,548,582**	1.31
16	Philip Dulhunty Pty Ltd	**4,500,000**	1.29
17	Peter Dulhunty	**4,000,000**	1.15
18	Barroroam PL (Tank Superfund A/C)	**4,000,000**	1.15
19	Preen Holdings Pty Ltd - Preen Employees Super Fund A/C	**3,291,470**	0.95
20	Martin Thomas	**2,686,946**	0.77
		273,599,857	78.58

ASX Additional Information (Cont'd)

(c) Substantial shareholders

The number of shares held by substantial shareholders are:

	Number of Shares
Auster Holdings Pty Ltd	87,845,969
Alfred J. Chown	50,660,691

(d) Voting rights

All ordinary shares (whether fully paid or not) carry one vote per share without restriction.