RULE 4.2A.3

APPENDIX 4D

Half Year report

1. Company Details

Name of entity

Energy Technologies Limited

ABN or equivalent company reference	Reporting Period ('current period')	Previous corresponding period ('previous period')
38 002 679 469	31 December 2018	31 December 2017

2. Results for announcement to the market

		%		$A'000
2.1 Revenues from ordinary activities	Down	27.9%	to	5,727
2.2 Loss from ordinary activities after tax attributable to members	Down	13.3%	to	(1,822)
2.3 Loss for the period attributable to members	Down	13.3%	to	(1,822)

2.4 **Dividends**	Amount per security	Franked amount per security
Final dividend ***	-¢	-¢
Interim dividend	-¢	-¢

2.5 Record date for determining entitlements to the dividend: No dividend proposed or paid.

Brief explanation of any of the figures in 2.1 to 2.4 necessary to enable the figures to be understood

REVIEW AND RESULTS OF OPERATIONS

Half-year results

The group result for the half year ended 31 December 2018 was primarily driven by lower sales revenue in EGY's wholly owned subsidiary Bambach Wires and Cables Pty Ltd (BWC), which was caused by a lack of working capital, lack of production capacity for larger cables and inadequate production efficiency. The company and management's focus on a turnaround solution and recapitalisation and the extended period for this process to be completed also contributed to the result.

EGY reported a consolidated loss after tax and minorities of $1,821,656 (December 2017 Half Year Loss $1,579,107). EGY's wholly owned subsidiary Bambach Wires and Cables Pty Ltd (BWC) reported a loss after tax of $1,091,447 compared to December 2017 Half Year loss of $654,935. BWC Revenue from continuing operations was $5,718,967 net of rebates, a decrease of 27.9% on the previous corresponding December 2017 Half Year revenue of $7,936,170. Income accrued for FY 2019 R&D Grant of $720,000 (December 2017 $720,000) has also been netted against the eligible expenditure to comply with Australian Accounting Standards.

As stated in Note 10, subsequent events, on 13 February 2019, EGY obtained shareholder approval to complete its Recapitalisation Proposal, the details of which were set out in the Notice of Extraordinary Meeting released to market on 14 January 2019.

The Recapitalisation Proposal included the conversion of the Company's consolidated debt into ordinary shares, the acquisition of certain plant and equipment and other business assets from Advance Cables Pty Ltd (Advance Acquisition), the relocation of its production facilities from Sydney to regional Victoria and the issue of new shares by way of a placement to sophisticated and professional investors to raise up to $5 million.

The Board considers that the approval and implementation of the Recapitalisation Proposal is a critical milestone for the Company and its subsidiary Bambach Wires and Cables Pty Ltd (BWC), and in particular, will enable the Company to:

- improve its balance sheet from -8m to +16m;
- significantly increase its production capacity from 30 tonnes per month to 250 tonnes per month;
- increase production efficiency on the existing Bamabch range of products by 250%;
- expand its product range and depth market sector participation; and
- develop a sustainable workforce to enable it to compete in a very large market and achieve significant growth in both revenue and margins.

The Board expects the implementation of the Recapitalisation Proposal to result in a profitable and growing business within twelve months and deliver strong returns to shareholders.

On completion of the Recapitalisation Proposal, the Company will have approximately 85.9 million ordinary shares on issue at a share price of 20 cents and market capitalisation of ~$17m.

<u>Transition to new site in Rosedale Victoria</u>

The Company has secured and commenced refurbishment works at a new site at Rosedale, Victoria (Rosedale Site). The Rosedale Site is a far larger footprint and supports a significantly improved logistics capability. It will provide the Company and BWC with significantly greater efficiency, productivity and scale. The site is on target to be fully commissioned by mid-year, with initial production scheduled to begin in late March 2019 as critical plant and equipment arrives following the initial consideration provided by the company as part of the Advance Acquisition.

<u>Regional Jobs and Investment Package (RJIP) Grant</u>

- The Company has received the first instalment of its $2.92m RJIP Grant.
- The grant will assist the Company and BWC in the transition of its operations to the Rosedale Site, the acquisition of equipment and support long term sustainable employment for a local workforce.
- The first instalment of the RJIP Grant has been recognised in the Half Year to 31 December 2018 financials as deferred income and will be released to the Profit & Loss in accordance with accounting standards.

<u>Sales and Operational Update</u>

- BWC continues to see strong demand for its product, with significant enquiries for supply of critical cable solutions. Current orders in hand are valued at approximately $2m, which is the highest level experienced in the company's history.
- The Company considers that BWC's current limitations in relation to output capacity will be removed following completion of the Advance Cables asset acquisition and the relocation to the Rosedale site, enabling BWC to fulfil significant customer demand for its suite of current and new products. A weak Australian dollar and customer focus on quality and the heightening local content policies of State and Federal government continue to drive increase demand for locally manufactured cables.

3.1 Net Tangible Assets per security	Current period	Previous corresponding period
Net tangible assets per security	(3.26) cents	(2.22) cents

4. Details of entities over which control has been gained or lost during the period

4.1 A	Name of entity	N/A
4.2 A	Date from which control was gained	
4.3 A	Where material to an understanding of the report – the contribution of such entity to the reporting entity's profit from ordinary activities during the period and the profit or loss of such entities during the whole of the previous corresponding period	

4.1 B	Name of entities	N/A
4.2 B	Date from which control was lost	
4.3 B	Where material to an understanding of the report – the contribution of such entities to the reporting entity's profit from ordinary activities during the period and the profit or loss of such entities during the whole of the previous corresponding period	

5. Details of Individual and Total Dividends

		Date dividend is payable	Amount per security	Franked amount per security at 30% tax	Amount per security of foreign source dividend
	Dividend 1		¢	¢	¢

Total dividend per security:

	Current year	Previous year
Ordinary securities	¢	¢
Preference securities	¢	¢

6. Dividend reinvestment plan

Details of any dividend reinvestment plans in operation:

None

The last date for the receipt of an election notice for participation in any dividend or distribution reinvestment plan:
N/A

7. Details of Associates and Joint Ventures:

Name of entity	***Percentage holding 31/12/18***	***Percentage holding 31/12/17***

7.1 Where material to an understanding of the report - aggregate share of profits (losses) of these entities, details of contributions to net profit for each of these entities, and with comparative figures for each of these disclosures for the previous corresponding period:

N/A

8. For foreign entities, details of origin of accounting standards used in compiling the report (e.g. International Financial Reporting Standards)

Dulhunty Engineering Limited (formerly Dulhunty Power International Limited) which adopts Australian Accounting Standards

9. For all entities, if the accounts contain an independent audit report or review that is subject to a modified opinion, emphasis of matter or other matter paragraph, a description of the modified opinion, emphasis of matter or other matter paragraph:

Emphasis of Matter paragraph in relation to Going Concern and qualification in respect of inventory.

Sign here:

Date: 27 February 2019

Alfred J Chown (Director)

ENERGY TECHNOLOGIES LIMITED (ASX: EGY)

ABN 38 002 679 469

Half-Year Financial Report

for the half-year ended 31 December 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

Grant Thornton Audit Pty Ltd
Chartered Accountants
Level 17
383 Kent Street
SYDNEY NSW 2000
Telephone: - (02) 8297 2400

Contents

Directors' Report

Your Directors submit their report for the half-year ended 31 December 2018

DIRECTORS

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

Alfred J. Chown (Chairman, Managing Director) Appointed 4 July 1997.
Gary A. Ferguson (Non-Executive Director) Appointed on 1 October 2012.
Philip W. Dulhunty (Non-Executive Director) Appointed 3 December 2014.
Yulin Hu (Non-Executive Director) Appointed 25 November 2015.
Matthew Driscoll (Non-Executive Director) Appointed 20 December 2016.
Meiping Hu (Alternate Director to Yulin Hu) Appointed 25 November 2015.

PRINCIPAL ACTIVITIES AND SIGNIFICANT CHANGES IN NATURE OF ACTIVITIES

The principal activities during the half-year of entities within the economic entity were the manufacture and sale of specialist industrial cables.

REVIEW AND RESULTS OF OPERATIONS

The group result for the half year ended 31 December 2018 was primarily driven by lower sales revenue in EGY's wholly owned subsidiary Bambach Wires and Cables Pty Ltd (BWC), which was caused by a lack of working capital, lack of production capacity for larger cables and inadequate production efficiency. The company and management's focus on a turnaround solution and recapitalisation and the extended period for this process to be completed also contributed to the result.

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- develop a sustainable workforce to enable it to compete in a very large market and achieve significant growth in both revenue and margins.

Directors' Report (Continued)

The Board expects the implementation of the Recapitalisation Proposal to result in a profitable and growing business within twelve months and deliver strong returns to shareholders.

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AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration under Section 307C of the Corporations Act 2001 is set out on page 6 and forms part of the Directors' Report for the half-year ended 31 December 2018.

Signed in accordance with a resolution of the Directors.

Alfred J Chown
Managing Director
Sydney, 27 February 2019

Level 17, 383 Kent Street
Sydney NSW 2000

Correspondence to:
Locked Bag Q800
QVB Post Office
Sydney NSW 1230

T +61 2 8297 2400
F +61 2 9299 4445
E info.nsw@au.gt.com
W www.grantthornton.com.au

Auditor's Independence Declaration

To the Directors of Energy Technologies Limited

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the review of Energy Technologies Limited for the year ended 31 December 2018, I declare that, to the best of my knowledge and belief, there have been:

a no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

b no contraventions of any applicable code of professional conduct in relation to the review.

Grant Thornton Audit Pty Ltd
Chartered Accountants

C F Farley
Partner – Audit & Assurance

Sydney, 27 February 2019

Condensed Consolidated Statement of Profit or Loss

for the half-year ended 31 December 2018

	Note	CONSOLIDATED 31 December 2018 $	31 December 2017 $
Continuing Operations			
Sales revenue	3(i)	**5,718,753**	7,929,240
Other revenues	3(i)	**8,458**	15,438
Total revenue from continuing operations		**5,727,211**	7,944,678
Cost of sales		**(4,322,017)**	(6,090,907)
Marketing expenses		**(23,247)**	(25,116)
Occupancy expenses		**(328,759)**	(338,309)
Administration expenses		**(2,114,392)**	(2,055,900)
Depreciation and amortisation expenses		**(225,527)**	(178,916)
Other expenses		**(49,754)**	(76,137)
(LOSS) BEFORE FINANCE COSTS, INCOME TAX		**(1,336,485)**	(820,607)
Finance costs	3(ii)	**(491,750)**	(760,303)
(LOSS) BEFORE INCOME TAX		**(1,828,235)**	(1,580,910)
INCOME TAX BENEFIT/(EXPENSE)		**490**	(9,640)
(LOSS) FOR THE PERIOD		**(1,827,745)**	(1,590,550)
(LOSS) ATTRIBUTABLE TO:			
Owners of the parent		**(1,821,656)**	(1,579,107)
Non-controlling interest		**(6,089)**	(11,443)
		(1,827,745)	(1,590,550)

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

Condensed Consolidated Statement of Other Comprehensive Income

for the half-year ended 31 December 2018

	CONSOLIDATED	
	31 December 2018 $	31 December 2017 $
(LOSS) FOR THE PERIOD	**(1,827,745)**	(1,590,550)
OTHER COMPREHENSIVE INCOME		
Items that may be reclassified subsequently to profit or loss		
Movement in foreign exchange relating to translation of controlled foreign entities	**(2,840)**	598
Exchange differences on foreign exchange relating to minorities	**(2,839)**	598
	(5,679)	1,196
TOTAL COMPREHENSIVE (LOSS)	**(1,833,424)**	(1,589,354)
TOTAL COMPREHENSIVE (LOSS) ATTRIBUTABLE TO:		
Owners of the parent	**(1,824,496)**	(1,578,509)
Non-controlling interest	**(8,928)**	(10,845)
	(1,833,424)	(1,589,354)
Earnings per Share		
From continuing operations:		
• Basic loss per ordinary share (cents)	**(0.52)**	(0.49)
• Diluted loss per ordinary share (cents)	**(0.52)**	(0.49)

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

Condensed Consolidated Statement of Financial Position

as at 31 December 2018

		CONSOLIDATED	
		31 December 2018	30 June 2018
ASSETS	**Note**	**$**	$
CURRENT ASSETS			
Cash and cash equivalents		**1,339,787**	188,541
Trade and other receivables		**2,642,829**	3,185,897
Inventories		**4,306,893**	4,555,356
Other current assets		**509,273**	247,310
TOTAL CURRENT ASSETS		**8,798,782**	8,177,104
NON CURRENT ASSETS			
Plant & equipment	**4**	**2,789,351**	2,909,797
Intangible assets		**2,646,734**	2,718,326
Deferred tax asset		**177,723**	177,233
Other receivables		**199,957**	190,888
TOTAL NON-CURRENT ASSETS		**5,813,765**	5,996,244
TOTAL ASSETS		**14,612,547**	14,173,348
CURRENT LIABILITIES			
Trade and other payables		**5,858,919**	5,877,561
Financial liabilities	**6**	**11,122,893**	10,121,531
Short-term provisions		**672,790**	662,320
Deferred income	**5**	**1,450,000**	-
TOTAL CURRENT LIABILITIES		**19,104,602**	16,661,412
NON-CURRENT LIABILITIES			
Financial liabilities	**6**	**4,081,891**	4,276,404
Long-term provisions		**142,621**	118,675
TOTAL NON-CURRENT LIABILITIES		**4,224,512**	4,395,079
TOTAL LIABILITIES		**23,329,114**	21,056,491
NET LIABILITIES		**(8,716,567)**	(6,883,143)
EQUITY			
Issued capital	**7**	**9,496,447**	9,496,447
Reserves		**(1,054,574)**	(1,051,734)
Accumulated losses		**(16,568,454)**	(14,746,798)
Parent interest		**(8,126,581)**	(6,302,085)
Non-controlling interest		**(589,986)**	(581,058)
TOTAL DEFICIENCY		**(8,716,567)**	(6,883,143)

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

Condensed Consolidated Statement of Changes in Equity

for the half-year ended 31 December 2018

	Issued Capital $	Reserves $	Accumulated Losses $	Non-Controlling Interest $	Total $
Balance at 1.7.2017	9,279,071	(1,050,017)	(11,636,871)	(561,967)	(3,969,784)
Comprehensive income					
Loss for the period	-	-	(1,579,107)	(11,443)	(1,590,550)
Other comprehensive income for the period, net of income tax	-	598	-	598	1,196
Total comprehensive income/(loss) for the period	-	598	(1,579,107)	(10,845)	(1,589,354)
Balance at 31.12.2017	9,279,071	(1,049,419)	(13,215,978)	(572,812)	(5,559,138)
Balance at 1.7.2018	**9,496,447**	**(1,051,734)**	**(14,746,798)**	**(581,058)**	**(6,883,143)**
Comprehensive income					
Loss for the period	**-**	**-**	**(1,821,656)**	**(6,089)**	**(1,827,745)**
Other comprehensive (loss) for the period, net of income tax	**-**	**(2,840)**	**-**	**(2,839)**	**(5,679)**
Total comprehensive income/(loss) for the period	**-**	**(2,840)**	**(1,821,656)**	**(8,928)**	**(1,833,424)**
Balance at 31.12.2018	**9,496,447**	**(1,054,574)**	**(16,568,454)**	**(589,986)**	**(8,716,567)**

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

Condensed Consolidated Statement of Cash Flows

for the half-year ended 31 December 2018

	CONSOLIDATED	
	31 December 2018	31 December 2017
	$	$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	**6,270,065**	8,561,978
Interest Received	**214**	68
Payments to suppliers and employees	**(7,192,093)**	(9,169,395)
Borrowing costs	**(72,238)**	(72,140)
NET CASH FLOWS (USED IN) OPERATING ACTIVITIES	**(994,052)**	(679,489)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(33,488)**	(210,476)
NET CASH FLOWS (USED IN) INVESTING ACTIVITIES	**(33,488)**	(210,476)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	**888,077**	920,000
Government Grant	**1,450,000**	-
Repayment of borrowings	**(159,330)**	(144,027)
NET CASH FLOWS PROVIDED BY FINANCING ACTIVITIES	**2,178,747**	775,973
NET INCREASE/(DECREASE) IN CASH HELD	**1,151,207**	(113,992)
Cash at beginning of the financial period	**188,541**	698,517
Effects of exchange rate fluctuations on the balances of cash held in foreign currencies	**39**	(63)
CLOSING CASH BALANCE AT END OF FINANCIAL PERIOD	**1,339,787**	584,462

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

Notes to the Half –Year Financial Statements

31 December 2018

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

(a) Basis of Preparation

These general purpose financial statements for the interim half-year reporting period ended 31 December 2018 have been prepared in accordance with requirements of the Corporations Act 2001 and Australian Accounting Standard AASB 134 "Interim Financial Reporting". The group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

The half-year financial report is intended to provide users with an update on the latest annual financial statements of Energy Technologies Limited and its controlled entities (the Group). As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Group. It is therefore recommended that this financial report be read in conjunction with the Annual Financial Report of Energy Technologies Limited for the year ended 30 June 2018 together with any public announcements made during the half-year.

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

The interim financial statements have been approved and authorised for issue by the Board of Directors on 27 February 2019.

(b) Going Concern

The consolidated entity incurred a loss after tax and non-controlling interest of $1,821,656 (2017 $1,579,107) and incurred negative cash flows from operations of $994,052 (December 2017 $679,489) for the half year ended 31 December 2018. Revenues in subsidiary Bambach Wires and Cables Pty Ltd were down 27.9% on the previous corresponding December 2017 Half Year. However, as stated in the Directors' Review, this was caused by a lack of working capital, lack of production capacity for larger cables and inadequate production efficiency. The company and management's focus on a turnaround solution and recapitalisation and the extended period for this process to be completed also contributed to the result.

At 31 December 2018 the consolidated entity had a net deficiency of $8,716,567 (June 2018: $6,883,143 net deficiency) including the recognition of deferred tax assets of $177,723 and intangible assets of $2,646,734. At balance date, current liabilities exceeded current assets by $10,305,820, including Debenture Notes of $6,816,600. However, as stated in note 10 subsequent to balance date short and long term debt and accrued interest totaling $16,101,680 was extinguished through the issue of ordinary shares in EGY. Further to this new capital was raised up to $5m as approved by shareholders at the EGM 13 February 2019.

Nevertheless, these matters give rise to a continuing 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) continuing to achieve higher sales and achieving positive cash flow trading operations from its existing business;
(b) continued financial support from its current financiers and directors; and
(c) raising further equity or long term funding over the ensuing 12 months.

Management have prepared a cash flow projection (including the above assumptions) for the period to 28 February 2020 that supports the ability of the consolidated entity to continue as a going concern.

Notes to the Half –Year Financial Statements

31 December 2018

1. BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT (Continued)

(b) Going Concern (Continued)

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

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

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

(c) New or amended Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

AASB 9 Financial Instruments

The consolidated entity has adopted AASB 9 from 1 July 2018. The standard introduced new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows which arise on specified dates and that are solely principal and interest. A debt investment shall be measured at fair value through other comprehensive income if it is held within a business model whose objective is to both hold assets in order to collect contractual cash flows which arise on specified dates that are solely principal and interest as well as selling the asset on the basis of its fair value. All other financial assets are classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading or contingent consideration recognised in a business combination) in other comprehensive income ('OCI'). Despite these requirements, a financial asset may be irrevocably designated as measured at fair value through profit or loss to reduce the effect of, or eliminate, an accounting mismatch. For financial liabilities designated at fair value through profit or loss, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment is measured using a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. For receivables, a simplified approach to measuring expected credit losses using a lifetime expected loss allowance is available.

Notes to the Half –Year Financial Statements

31 December 2018

1. BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT (Continued)

(c) New or amended Accounting Standards and Interpretations adopted (Continued)

AASB 15 Revenue from Contracts with Customers

The consolidated entity has adopted AASB 15 from 1 July 2018. The standard provides a single comprehensive model for revenue recognition. The core principle of the standard is that an entity shall recognise revenue to depict 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. The standard introduced a new contract-based revenue recognition model with a measurement approach that is based on an allocation of the transaction price. This is described further in the accounting policies below. Credit risk is presented separately as an expense rather than adjusted against revenue. Contracts with customers are presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Customer acquisition costs and costs to fulfil a contract can, subject to certain criteria, be capitalised as an asset and amortised over the contract period.

Discounts and rebates

AASB 15 states if the consideration promised in a contract includes a variable amount, an entity shall estimate the amount of consideration to which the entity will be entitled in exchange for transferring the promised goods or services to a customer. An amount of consideration can vary because of discounts, rebates, refunds, credits, price concessions, incentives, performance bonuses, penalties or other similar items. The promised consideration can also vary if an entity’s entitlement to the consideration is contingent on the occurrence or non-occurrence of a future event. For example, an amount of consideration would be variable if either a product was sold with a right of return or a fixed amount is promised as a performance bonus on achievement of a specified milestone. An entity should estimate an amount of variable consideration by using one of two methods – “the expected value” and “the most likely amount” – whichever method is a better prediction of the final outcome. The transaction price should include some or all of an amount of variable consideration estimated only to the extent that it is highly probable that a significant reversal in the amount of the cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

Prior to the adoption of AASB 15 supplier discounts and rebates were recognised as an expense at the time the customer settled the sales invoice net of the discounts and rebates, and were included in cost of sales. Under AASB 15 the discounts and rebates deducted from customer payments give rise to variable consideration which is required to be reflected in revenue recognised at the point of sale. The Group uses an expected value method to estimate the amount of discounts and rebates to be deducted from sales revenue not yet settled because this method best predicts the amount of variable consideration to which the Group will be entitled.

Impact of adoption

AASB 9 and AASB 15 were adopted using the modified retrospective approach and as such comparatives have not been restated. There was no impact of adoption on opening accumulated losses as at 1 July 2018. The adoption of these standards resulted in the reclassification of provision for impairment of receivables to allowance for expected credit loss and the netting-off of supplier discounts against revenue ($212,531 in the current period).

Notes to the Half –Year Financial Statements

31 December 2018

1. BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT (Continued)

(c) New or amended Accounting Standards and Interpretations adopted (Continued)

Revenue recognition
The consolidated entity recognises revenue as follows:

Revenue from contracts with customers
Revenue is recognised at an amount that reflects the consideration to which the consolidated entity is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the consolidated entity: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are initially recognised as deferred revenue in the form of a separate refund liability.

Sale of goods
Sale of goods revenue is recognised at the point of sale, which is where the customer has taken delivery of the goods, the risks and rewards are transferred to the customer and there is a valid sales contract. Amounts disclosed as revenue are net of sales returns and trade discounts.

Interest
Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Other revenue
Other revenue is recognised when it is received or when the right to receive payment is established.

Trade and other receivables
Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The consolidated entity has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

Notes to the Half –Year Financial Statements

31 December 2018

2. SEGMENT INFORMATION

Business segments

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

During the half-year period to 31 December 2018, there have been no changes from prior periods in the measurement methods used to determine operating segments and reported segment profit or loss. The revenues and profit/(loss) generated by each of the Group's operating segments and segment assets are summarised as follows:

	Cables		Investment		Total	
	31/12/2018	31/12/2017	**31/12/2018**	31/12/2017	**31/12/2018**	31/12/2017
	$	$	**$**	$	**$**	$
Revenue	**5,718,967**	7,936,170	**8,244**	8,508	**5,727,211**	7,944,678
Segment result before income tax	**(1,098,115)**	(662,182)	**(730,120)**	(918,728)	**(1,828,235)**	(1,580,910)
Income tax benefit/(expense)	**490**	(9,640)	**-**	-	**490**	(9,640)
Loss after income tax	**(1,097,625)**	(671,822)	**(730,120)**	(918,728)	**(1,827,745)**	(1,590,550)
Segment Assets	**14,286,322**	14,175,741	**326,225**	159,932	**14,612,547**	14,335,673
Segment Liabilities	**14,915,853**	13,187,448	**8,413,261**	6,707,363	**23,329,114**	19,894,811

3. REVENUE, INCOME AND EXPENSES

	31 December 2018 $	31 December 2017 $
(i) Revenue from continuing operations		
Sale of goods	**5,718,753**	7,929,240
Other Revenues:		
Foreign exchange gains	**-**	7,126
Finance revenue	**214**	68
Other income	**8,244**	8,244
Total Other Revenues	**8,458**	15,438
	5,727,211	7,944,678
(ii) Finance costs		
Loans and convertible notes	**407,947**	716,477
Borrowing costs	**83,803**	43,826
	491,750	760,303

Notes to the Half –Year Financial Statements

31 December 2018

3. REVENUE, INCOME AND EXPENSES (Continued)

(iii) The Group's revenue is entirely within Australia.

(iv) The Group's revenue disaggregated by pattern of revenue recognition is as follows:

Six months to 31 December 2018

	Manufacturing $	Total $
Goods transferred at a point in time	5,718,753	5,718,753
Total	**5,718,753**	**5,718,753**

Six months to 31 December 2017

	Manufacturing $	Total $
Goods transferred at a point in time	7,929,240	7,929,240
Total	7,929,240	7,929,240

4. PLANT AND EQUIPMENT

Acquisitions and disposals

During the half-year ended 31 December 2018 the group acquired fixed assets at a cost of $33,488 (December 2017: $210,476).

Plant and equipment disposals during the half year ended 31 December 2018 provided net proceeds of $Nil (December 2017: $Nil).

5. DEFERRED INCOME

	Consolidated	
	31 December 2018	30 June 2018
CURRENT	**$**	$
Deferred Income	**1,450,000**	-
	1,450,000	-

As previously announced the company was awarded an RJIP Grant of $2.92 million in May 2018. The first tranche of funds of $1,450,000 have been received in December 2018. The recapitalisation proposal, including the establishment of a new factory in Rosedale Victoria was subject to shareholder approval Extraordinary General Meeting held 13 February 2019. This approval was received, however as at 31 December 2018 Grant proceeds have been treated as Deferred Income.

Notes to the Half –Year Financial Statements
31 December 2018

6. FINANCIAL LIABILITIES

	Note	31 December 2018 $	30 June 2018 $
CURRENT			
Secured liabilities:			
Debenture Notes	(a)	**6,816,000**	6,816,000
Less: transaction costs		**(145,888)**	(189,714)
		6,670,112	6,626,286
Hire purchase and finance lease liability		**420,094**	342,679
Convertible Notes		**100,000**	100,000
Invoice Finance Facility		**874,498**	-
		8,064,704	7,068,965
Unsecured liabilities			
Directors and executive loans		**2,050,000**	2,050,000
Other loan		**1,008,189**	1,002,566
		3,058,189	3,052,566
		11,122,893	10,121,531
NON CURRENT			
Convertible Notes			
2,700 notes of $1,000 each convertible on or before 31/12/2020	(b)	**2,700,000**	2,700,000
1,270 notes of $1,000 each convertible on or before 31/12/2020		**1,270,000**	1,270,000
Non-Current Convertible Notes at 31 December 2018		**3,970,000**	3,970,000
Hire purchase liabilities			
Amount due greater than 12 months		**111,891**	306,404
		4,081,891	4,276,404

(a) Debenture Notes previously issued have a maturity date of 31 December 2020. The Debenture Notes were redeemable at any time after 30 June 2017. Subsequent to reporting date EGY shareholders at an Extraordinary General Meeting have approved conversion of these debentures to ordinary shares and Deeds of Conversion have been signed. Shares were issued extinguishing this debt on 25 February 2019. Refer note 10 on subsequent events.

(b) Documents formally extending the maturity date of the 2,700 Convertible Notes from 31 December 2018 to 31 December 2020 were executed in February 2018, resulted in the Convertible Notes being classified as non-current at the year end. However Subsequent to reporting date EGY shareholders at an Extraordinary General Meeting have approved conversion of these notes to ordinary shares and Deeds of Conversion have been signed. Shares were issued extinguishing this debt on 25 February 2019. Refer note 10 on subsequent events.

(c) During the half-year ended 31 December 2018 the group repaid $159,330 of short term interest bearing debt.

Notes to the Half –Year Financial Statements

31 December 2018

7. CONTRIBUTED EQUITY

	31 December 2018 $	30 June 2018 $
Ordinary shares		
(i) Ordinary shares	**9,496,447**	9,496,447
Fully paid ordinary shares carry one vote per share and carry the right to dividends.		

	No. of shares	$
Movement in ordinary shares on issue		
At 1 July 2018	**348,245,332**	**9,496,447**
At 31 December 2018	**348,245,332**	**9,496,447**
At 1 July 2018	**348,245,332**	**9,496,447**
Shares issued during the period	**-**	**-**
At 31 December 2018	**348,245,332**	**9,496,447**

8. CONTINGENT LIABILITIES

Contingent liabilities of the group are materially as disclosed in the 30 June 2018 Annual Financial Report.

9. RELATED PARTIES

Loans by Directors and Key Management

During the half year to 31 December 2018 no new loans were made to the company by directors. Refer also Note 10 Events Subsequent to Balance Date.

Notes to the Half –Year Financial Statements

31 December 2018

10. EVENTS SUBSEQUENT TO BALANCE DATE

On 13 February 2019, EGY obtained shareholder approval to complete its Recapitalisation Proposal, the details of which were set out in the Notice of Extraordinary Meeting released to market on 14 January 2019.

The Recapitalisation Proposal included the conversion of the Company's consolidated debt into ordinary shares, the acquisition of certain plant and equipment and other business assets from Advance Cables Pty Ltd (Advance Acquisition) and the issue of new shares by way of a placement to sophisticated and professional investors to raise up to $5 million.

Debt Conversion

Shares have been issued to Debenture, Convertible Note and loan holders in full satisfaction of the company's obligation under the debenture, notes and loan documents. Shares were issued as agreed by lenders at a discounted percentage of the outstanding loan amounts including accrued interest.

Debentures, Convertible Notes and accrued interest thereon totalling $13,104,890 in EGY as at 31 December 2018 were converted to 4,571,346,731 ordinary shares in EGY at a price of $0.002 per share. This resulted in a gain on conversion in EGY of $3,962,197.

Unsecured loans and accrued interest thereon totalling $2,996,790 in subsidiary Bambach Wires and Cables Pty Ltd as at 31 December 2018 were converted to 800,778,578 ordinary shares in EGY at a price of $0.002 per share. This resulted in a gain on conversion in EGY of $1,395,233.

The debt conversions extinguished $9,874,189 of current secured and unsecured liabilities and $3,970,000 of non-current liabilities recorded as per Note 6 and accrued interest thereon as at 31 December 2018.

Recapitalisation

As a result of the debt conversion as above EGY issued 5,372,125,309 new ordinary shares on 15 February 2019. The consolidation of every 100 ordinary shares on issue into one ordinary share, as approved by shareholders at the EGM, subsequently resulted in 57,203,903 new shares on issue at price of $0.20.

Placement Settlement and Advance Equipment Purchase

On 25 February 2019 EGY announced a placement of 23.65 million shares to sophisticated and professional investors to raise $4,730,000. Proceeds of the placement have been used to pay the $2 million deposit for the acquisition of plant and equipment from Advance Cables Pty Ltd ("Advance") which will be used in establishing EGY's new site at Rosedale, Victoria. The balance of the funds raised under the placement (net of costs) will be used in relation to the relocation to the new Rosedale site and for working capital purposes.

In addition to the $2 million deposit paid, EGY (via its wholly-owned subsidiary, Bambach Wires and Cables Pty Ltd will make further progressive payments to Advance in the coming weeks as the plant and equipment is collected up to the total purchase price of $2.9 million. As part of the acquisition of plant and equipment, Advance has subscribed for 7.5 million EGY shares under the placement.

EGY will also issue up to 5 million further shares to Advance as consideration for the acquisition of intellectual property and inventory which is expected to complete in early April 2019. On completion of the full Recapitalisation Proposal, the Company will have issued approximately 85.9 million ordinary shares on issue at a share price of 20 cents.

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

Notes to the Half –Year Financial Statements

31 December 2018

Directors' Declaration

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 7 to 20 are in accordance with the Corporations Act 2001, including:

    a) complying with Accounting Standard AASB 134: Interim Financial Reporting; and

    b) giving a true and fair view of the economic entity's financial position as at 31 December 2018 and of its performance for the half-year ended on that date.

2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

Alfred J. Chown
Director
27 February 2019

Grant Thornton

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Independent Auditor's Review Report

To the Members of Energy Technologies Limited

Report on the review of the half year financial report

Qualified Conclusion

We have reviewed the accompanying half year financial report of Energy Technologies Limited (the Company) and its subsidiaries (the Group),which comprises the consolidated condensed statement of financial position as at 31 December 2018, and the consolidated condensed statement of profit or loss and other comprehensive income, consolidated condensed statement of changes in equity and consolidated condensed statement of cash flows for the half year ended on that date, a description of accounting policies, other selected explanatory notes, and the directors' declaration.

Except for the effects of the matter described below in the *Basis for Qualified Conclusion* section of our report, based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half year financial report of Energy Technologies Limited does not give a true and fair view of the financial position of the Group as at 31 December 2018, and of its financial performance and its cash flows for the half year ended on that date, in accordance with the *Corporations Act 2001*, including complying with Accounting Standard AASB 134 *Interim Financial Reporting*.

Basis for Qualified Conclusion

In the 30 June 2018 Independent Auditor's Report, the previous auditors included a qualification relating to inadequacies identified in the stocktake procedures performed by the Group, whereby quantities used in determining the inventory balance differed materially from the quantities verified by the previous auditors at their stock attendance and subsequent recounts. The previous auditors had estimated the potential impact of misstatements to be an additional write-down in inventory to a maximum of $510,000.

No stock count has been performed in the current period, and consequently we are not in a position to and do not express an opinion on the comparative financial information, the cash flows for the half year ended on 31 December 2018, or the inventory balance at 31 December 2018.

Material uncertainty related to going concern

We draw attention to Note 1(b) in the financial report, which indicates that the Group incurred a net loss of $1,827,745 during the half year ended 31 December 2018 and, as of that date, the Group's current liabilities exceeded its current assets by $10,305,820, and the Group had net liabilities of $8,716,567. As stated in Note 1(b), these events or conditions, along with other matters as set forth in Note 1(b), indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Directors' responsibility for the half year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2018 and its performance for the half year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Energy Technologies Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

C F Farley
Partner – Audit & Assurance

Sydney, 27 February 2019