

# AnaeCo Limited

## PRELIMINARY FINAL REPORT 2015 ASX Listing Rule 4E

For year ended 30 June 2015

### Results for announcement to the market - UNAUDITED

			Year ended 30/06/2015 \$'000
Financial Results			
Revenue from ordinary activities	Increase/(decrease)	- %	-
Loss from ordinary activities after tax attributable to members	increase	38%	(7,808)
Net loss for the period attributable to members	increase	38%	(7,808)

Dividends	
The company will not be declaring a dividend in respect of the results for the year ended 30 June 2015.	
Record date for determining entitlements to 2015 dividends	N/A

Net Tangible Asset Backing	30 June 2015	30 June 2014
Net tangible asset backing per ordinary security	(0.36) cents	(0.11) cents

## COMMENTARY ON RESULTS

The net loss after income tax of the Group for the financial year was \$7,807,993 (2014: loss \$5,643,155).

### Review of Operations

#### Commercialisation of AnaeCo™ System

The principal focus of the Group during this financial year has again been the commercialisation of the AnaeCo™ System by way of its application at the Western Metropolitan Regional Council (WMRC) Project in Perth, Western Australia.

The WMRC Project involves the construction of a plant to process 55,000 tpa of municipal solid waste (MSW) for the WMRC and the City of Stirling. This project is being developed in conjunction with Palisade Investment Partners Limited's (Palisade) Regional Infrastructure Fund (PRIF). Design and construction of the second stage commenced in December 2010 and has involved increasing the capacity of the plant to 55,000 tpa and bringing it to full commercial operations. The Design & Construct services are being delivered jointly by AnaeCo Ltd and Monadelphous Group Limited, with AnaeCo responsible for design and commissioning and Monadelphous responsible for construction and procurement.

Construction completion was achieved in September 2013 and in October 2013 wet commissioning commenced with the introduction of MSW to the Material Recovery Facility (MRF). Biological ramp-up of the Bioconversion Facility (BCF) commenced in June 2014, and after suffering a series of delays due to mechanical equipment and process water storage tank defects, was completed in July 2015. All up these defects caused an approximate 6-7 month extension of the Biological ramp-up phase. (Biological ramp-up is the phase in commissioning operations whereby the stock of anaerobic process water containing the bacterial inoculum that performs anaerobic digestion is expanded to a full facility level of 1,500m<sup>3</sup>.)

At the date of this report the plant is in a maintenance shutdown period in preparation for the final phase of commissioning, which is the performance trials. The trials are to determine that the plant meets the design specification. They comprise nine consecutive batch cycles of 21 days each, where each of the three bioconversion vessels performs three cycles. Given the 21 day batch cycle, the duration of performance trials should be 11 weeks.

There are test criteria applicable to the production of compost, the production of biogas, the generation of energy from the biogas and the efficiency of recovery of organic material from the municipal solid waste. Successful completion of the trials leads to the issue of a certificate of Practical Completion by the project superintendent, and once this occurs AnaeCo will have completed its obligations under the D&C.

The AnaeCo™ System core technology performance objectives which have been confirmed to date in commissioning of the WMRC Project include:

- The DiCOM™ bioconversion process has met expectations and is fully proven,
- DCS (Distributed Control System) and overarching SIS (Safety Instrumented System) have managed all automated plant operations with high reliability,
- MRF processing to produce the organic fraction of MSW as feedstock for bioconversion has performed consistently and reliably at 55-65% capacity, and in client's throughout tests recorded performance at 115% of nominal design capacity,
- The Wet Density Separation system has successfully removed an average of 97% of the glass and grit present in the fine fraction of waste,
- Biological activity and biogas generation has been at a level which meets our commissioning expectations and supports the design objective that the plant will be a net energy producer, and
- The plant's power generation system which involves the combustion of a mixture of methane from biogas, and natural gas, has been fully commissioned and is connected to Western Power's grid.

In addition there have been a number of valuable engineering and operational lessons learned from the phases of commissioning completed to date. These lessons will be applied as improvements and refinements of the AnaeCo™ System in the future.

Whilst the WMRC Project has been underway, the Group has been preparing to expand its commercialisation activities. We have active project leads in Australia and a selection of interesting potential alliance opportunities under development with international parties. Included in the Australian opportunities is the Shoalhaven City Council tender where we have been selected as one of three tenderers. We expect the issue of tender documents by the Council by the end of 2015.

Achieving meaningful progress with all commercialisation opportunities is highly dependent on completing the remainder of commissioning of the WMRC Project successfully.

## Intellectual Property

A substantial body of intellectual property (IP) has been created over 15 years in developing the AnaeCo™ System and it has been part of the Company's long term strategy to protect this IP using patent registration. Currently we have twelve inventions protected by patents, or 'patent families'. In addition there are two inventions at the 'provisional patent' stage. (Fourteen inventions in total)

The first two patent families, covering the DiCOM™ Bioconversion Process and Pressure Aeration System, were registered in 1999 and 2000 respectively. AnaeCo holds eighteen granted national patents for these two inventions.

Through 2012 to 2014 a further ten patentable inventions were recorded and are progressing through the Australian patent system and also the PCT (Patent Co-operation Treaty) system. Once the PCT application process is completed our strategy is to apply for national patent registration across a matrix of individual countries.

The Australian system of patent examination, review and issuance will generally be completed before the PCT and related national phase registrations.

Summary of patents at various stages:

• Provisional patent applications:	2
• PCT application under examination:	1
• National patent applications for registration:	53
• National patents granted:	29 (10 in Australia)
• Total national and international patents and patent applications:	85

## Coming up

Moving forward, the key operational goals for the Group in the coming year are;

- Completing commissioning of the WMRC Facility and handover to the client,
- Securing and commencing new revenue generating projects, and
- Refining and standardising the detailed design and IP package which is the AnaeCo™ System, and commercialising this through technology transfer and licensing arrangements both in Australia and overseas.

## Review of Financial Position

The Group's financial position at 30 June 2015 is cash on hand of \$728,725 and net current liabilities of \$9,145,947. Net current liabilities are stated after including a provision for the expenditure to be incurred in completing the commissioning of the AnaeCo™ technology which is being installed at the WMRC Project. Net liabilities at 30 June 2015 are \$5,565,299.

Key factors affecting the financial position in the 2015 financial period have been:

- Receiving a R&D Tax Incentive refund of \$4,590,098 for eligible expenditure incurred in 2014,
- The expected receipt of a R&D Tax Incentive refund of \$4,448,110 for eligible expenditure incurred in 2015,
- Entering into Loan Agreements with Monadelphous Group Limited to provide funding of \$10,100,000 to be partially repaid upon receipt of the 2015 R&D Tax Incentive Refund. Terms of the Loan Agreements include the option for repayment of the loan by the issue of fully paid ordinary shares in AnaeCo Limited. Such a debt for equity conversion would be at the election of the lender and will be subject to shareholder approval in accordance with ASX Listing Rules and the Corporations Law, and
- Continued expenditure on the WMRC Project.

Payment for the Group's obligations relating to delivery of the WMRC Project has been the principal application of funds, other than corporate administration and overheads. The WMRC Project is a critical step for AnaeCo as the first complete application and flagship project of the AnaeCo™ System. From a commercial perspective, it has been a development project which means AnaeCo's services to this project have been funded by equity rather than receipts of revenue. The R&D Tax Incentive Scheme operates as a very effective and supportive subsidy to the Company's expenditure on the technology developed and applied in this demonstration project.

Commissioning of the WMRC Project will be completed in coming months and AnaeCo's forecast costs to complete have been provided for in the 30 June 2015 statement of financial position.

# STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2015

	Notes	June 30 2015 \$	June 30 2014 \$
Revenue	3(a)	21,500	158,528
Other income	3(b)	4,448,110	6,806,331
Project delivery costs	4(a)	(7,905,307)	(8,791,824)
Technology development expense	4(b)	(109,690)	(119,328)
Depreciation and amortisation expense	4(c)	(922,675)	(904,995)
Finance costs	4(d)	(511,044)	(128,793)
Employee benefits expense	4(e)	(1,210,746)	(1,369,796)
Other expenses	4(f)	(1,618,141)	(1,293,278)
Loss before income tax expense		(7,807,993)	(5,643,155)
Income tax (expense)/benefit	5	-	-
<b>Net loss after tax attributable to members of AnaeCo Limited and total comprehensive expense for the period</b>		<b>(7,807,993)</b>	<b>(5,643,155)</b>
Loss per share attributable to the ordinary equity holders of the Company	11		
Basic loss per share		(0.3) cents	(0.2) cents
Diluted loss per share		(0.3) cents	(0.2) cents

The accompanying notes form part of these financial statements.

# STATEMENT OF FINANCIAL POSITION

As at 30 June 2015

	Notes	June 30 2015 \$	June 30 2014 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents		728,725	1,641,915
Trade and other receivables		4,578,779	4,721,715
Other		4,582	21,951
<b>TOTAL CURRENT ASSETS</b>		<b>5,312,086</b>	<b>6,385,581</b>
<b>Non Current Assets</b>			
Property, plant and equipment		34,592	78,772
Intangible assets		3,820,622	4,559,383
<b>TOTAL NON CURRENT ASSETS</b>		<b>3,855,214</b>	<b>4,638,155</b>
<b>TOTAL ASSETS</b>		<b>9,167,300</b>	<b>11,023,736</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables		1,205,162	1,590,357
Provision for loss on engineering services contract	7	4,338,951	5,134,001
Interest bearing loans and borrowings	8	8,581,373	2,120,000
Provisions		332,547	255,402
<b>TOTAL CURRENT LIABILITIES</b>		<b>14,458,033</b>	<b>9,099,760</b>
<b>Non Current Liabilities</b>			
Provisions		274,566	254,220
<b>TOTAL NON CURRENT LIABILITIES</b>		<b>274,566</b>	<b>254,220</b>
<b>TOTAL LIABILITIES</b>		<b>14,732,599</b>	<b>9,353,980</b>
<b>NET (LIABILITIES)/ASSETS</b>		<b>(5,565,299)</b>	<b>1,669,756</b>
<b>EQUITY</b>			
Contributed equity	9	68,171,419	67,757,640
Reserves		1,222,503	1,063,344
Accumulated losses		(74,959,221)	(67,151,228)
<b>TOTAL (SHAREHOLDERS' DEFICIT)/EQUITY</b>		<b>(5,565,299)</b>	<b>1,669,756</b>

The accompanying notes form part of these financial statements.

# STATEMENT OF CASH FLOWS

For the year ended 30 June 2015

		12 months	12 months
	Notes	June 30	June 30
		2015	2014
		\$	\$
<b>Cash flows from operating activities</b>			
Receipts from customers		-	55,000
Interest received	3(a)	21,500	158,528
R&D tax incentive received	3(b)	4,590,098	7,050,430
Payments to suppliers and employees		(11,220,716)	(10,331,471)
Interest paid		(49,671)	(8,792)
<b>Net cash flows used in operating activities</b>	10	<b>(6,658,789)</b>	<b>(3,076,305)</b>
<b>Cash flows from investing activities</b>			
Purchases of property, plant and equipment		(5,660)	(70,763)
Purchases of patents and trademarks classified as intangible assets		(134,074)	(298,869)
Purchases of computer software classified as intangible assets		-	(43,383)
R&D tax incentive received relating to intangible assets		-	998,163
<b>Net cash flows (used in)/from investing activities</b>		<b>(139,734)</b>	<b>585,148</b>
<b>Cash flows from financing activities</b>			
Proceeds from the issue of shares		5,333	-
Proceeds from borrowings		8,429,000	-
Repayment of borrowings		(2,549,000)	(3,003,277)
<b>Net cash flows from/(used in) financing activities</b>		<b>5,885,333</b>	<b>(3,003,277)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(913,190)</b>	<b>(5,494,434)</b>
Cash and cash equivalents at beginning of period		1,641,915	7,136,349
<b>Cash and cash equivalents at end of period</b>		<b>728,725</b>	<b>1,641,915</b>

The accompanying notes form part of these financial statements.

## STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2015

For the year ended 30 June 2015

	Issued capital \$	Accumulated losses \$	Employee benefits reserve \$	Total equity \$
<b>At the beginning of the year</b>	67,757,640	(67,151,228)	1,063,344	1,669,756
Loss for the period	-	(7,807,993)	-	(7,807,993)
Total comprehensive expense for the period	-	(7,807,993)	-	(7,807,993)
Transactions with owners in their capacity as owners				
Issue of share capital to third parties for share based payments	348,500	-	-	348,500
Issue of share capital for share based payments	59,946	-	(59,946)	-
Issue of share capital	5,333	-	-	5,333
Share based payment	-	-	219,105	219,105
<b>At the end of the year</b>	<b>68,171,419</b>	<b>(74,959,221)</b>	<b>1,222,503</b>	<b>(5,565,299)</b>

For the year ended 30 June 2014

	Issued capital \$	Accumulated losses \$	Employee benefits reserve \$	Total equity \$
<b>At the beginning of the year</b>	67,481,050	(61,508,073)	1,120,474	7,093,451
Loss for the period	-	(5,643,155)	-	(5,643,155)
Total comprehensive expense for the period	-	(5,643,155)	-	(5,643,155)
Transactions with owners in their capacity as owners				
Issue of share capital to third parties for share based payments	38,250	-	-	38,250
Issue of share capital for share based payments	238,340	-	(238,340)	-
Share based payment	-	-	181,210	181,210
<b>At the end of the year</b>	<b>67,757,640</b>	<b>(67,151,228)</b>	<b>1,063,344</b>	<b>1,669,756</b>

# Notes to the preliminary final report

## 1 Summary of significant accounting policies

### Basis of Preparation

The preliminary financial report has been prepared in accordance with the requirements of the Australian Stock Exchange Appendix 4E.

The preliminary financial report has been prepared on an historical cost basis and is presented in Australian dollars.

## 2 Going Concern

The Group has net liabilities of \$5,565,299 (2014: net assets of \$1,669,756) has net current liabilities of \$9,145,947 (2014: net current liabilities of \$2,714,179) and incurred an operating loss after income tax of \$7,807,993 (2014: loss of \$5,643,155) for the year ended 30 June 2015.

The financial report has been prepared on a going concern basis. In arriving at this position the directors have had regard to the fact that the Group has, or in the directors' opinion will have access to, sufficient cash to fund administrative and other committed expenditure for a period of not less than 12 months from the date of this report.

In forming this view the directors have taken into consideration the following.

- As a Group listed on the Australian Securities Exchange it has access to the Australian equity capital markets. Accordingly, the Group considers it maintains a reasonable expectation of being able to raise funding from the market as and when required, although it cannot determine in advance the terms upon which it may raise such funding.
- The Group is achieving its key milestones with respect to commercialising the AnaeCo™ System and specifically with respect to the application of the AnaeCo™ System at the WMRC Project. This progress generates interest in the Group's technology from other prospective customers and accordingly the Group has a pipeline of project opportunities. This provides confidence for the Group's prospects of generating positive cash flow from operations in the future.
- AnaeCo Limited will be submitting a claim for the Research & Development Tax Incentive in respect of the 2015 tax year. The Company is satisfied that it meets the criteria to qualify for a cash refund, and is confident the expenditure to be claimed in relation to the AnaeCo™ technology will satisfy the tests of eligibility. The amount of eligible expenditure in the 2015 year is estimated to be \$9,884,689 and if approved, would lead to a cash refund of \$4,448,110 which has been recognised in the current year financial statements, refer Note 3(b).
- AnaeCo Limited expects to submit a claim for the Research & Development Tax Incentive in respect of the 2016 tax year as a substantial portion of the expenditure incurred on completing commissioning of the AnaeCo System on the WMRC Project from 1 July 2015 until completion should meet the qualifying criteria for the same reasons as previous expenditure. However the benefit of this 2015 claim will not be available until after the 2015 income tax return has been lodged and assessed, unless the Company is able to enter into an advance funding arrangement similar to that entered into during 2015.
- The Group has entered into loan agreements with Monadelphous Group Limited to provide funding of \$10,100,000. The full amount of this loan is forecast to be drawn by 30 September 2015. Monadelphous has indicated its intention to continue to provide financial support to AnaeCo during the remainder of the WMRC Project commissioning period.

The Monadelphous loan is due for repayment by 31 December 2015. The Research & Development Tax Incentive refund for 2015 will be applied in part as a repayment of the loan.

The loan may be repaid, at the lender's election, by conversion of debt to equity (subject to AnaeCo shareholder approval). It is the directors' current expectation that a substantial portion of the loan will be repaid by a debt to equity conversion.

The Board is confident that to the extent additional funding is required to fund administrative and other committed expenditure, or new development initiatives, it will be able to raise such funding in the financial markets.

The Group's ability to continue as a going concern and meet its debts and future commitments as and when they fall due is dependent on a number of factors, including;

- success with commercialising its AnaeCo™ technology and generating future sales to enable the Group to generate profit and positive cash flows;
- obtaining additional funding as and when required; and



## Notes to the preliminary final report

- receiving the continued support of its shareholders and creditors, which includes the expected conversion from debt to equity of a substantial portion of the loan owing to Monadelphous Group Limited.

Should the Group not achieve the matters set out above there is significant uncertainty whether the Company and the Group will continue as going concerns and therefore whether they will realise their assets and extinguish their liabilities in the normal course of business and at the amounts stated in the financial report. The financial report does not include any adjustment relating to the recoverability or classification of recorded asset amounts or to the amounts or classification of liabilities that might be necessary should the Company or the Group not be able to continue as a going concern.

	June 30 2015 \$	June 30 2014 \$
<b>3(a) Revenue</b>		
Interest income	21,500	158,528
<b>3(b) Other income</b>		
Government grant – R&D Tax Incentive 2013	-	2,216,233
Government grant – R&D Tax Incentive 2014	-	4,590,098
Government grant – R&D Tax Incentive 2015	4,448,110	-
	<u>4,448,110</u>	<u>6,806,331</u>
<p>At the reporting date the Group is expecting to receive a R&amp;D Tax incentive refund of \$4,448,110 for eligible expenditure incurred in 2015, all of which is recognised as Other Income in the current year.</p> <p>During the previous year the Group received a R&amp;D Tax incentive of \$4,590,098 for eligible expenditure incurred in 2014 which was recognised as a receivable in the 30 June 2014 financial statements and received in the 30 June 2015 financial year. \$2,216,233 relating to the year ended 30 June 2013 was received in 2014 and recorded as Other income.</p>		
<b>4(a) Project delivery costs</b>		
Expenditure on long term engineering contract not previously provided for	3,491,488	3,668,125
Movement in provision for costs to complete	4,338,951	5,134,001
Cost of labour for engineering services billings	74,868	(10,302)
	<u>7,905,307</u>	<u>8,791,824</u>
<b>4(b) Technology development expense</b>		
Expenditure on technology development	109,690	119,328
<b>4(c) Depreciation and amortisation expense</b>		
Depreciation of property, plant & equipment	49,840	49,684
Amortisation of patents, licences and intellectual property	872,835	855,311
	<u>922,675</u>	<u>904,995</u>
<b>4(d) Finance costs</b>		
Interest expense on loans from others	504,477	120,000
Other finance costs	6,567	8,793
	<u>511,044</u>	<u>128,793</u>
<b>4(e) Employee benefits expense</b>		
Wages and salaries	5,104,496	4,142,847
Defined contribution superannuation plan expense	482,878	412,234
Less: labour costs allocated to projects and technology development	(4,729,660)	(3,557,905)
Non-executive directors remuneration	133,927	191,410
Share based payments expense	219,105	181,210
	<u>1,210,746</u>	<u>1,369,796</u>
<b>4(f) Other expenses</b>		
Premises and related expenses	353,808	375,969
Consultants and professional advisors	739,561	309,765
Travel	41,464	89,244
Other overheads	483,308	518,300
	<u>1,618,141</u>	<u>1,293,278</u>

# Notes to the preliminary final report

	June 30 2015 \$	June 30 2014 \$
<b>5. Income Tax</b>		
The major components of income tax expense are:		
<b>Income statement</b>		
<u>Current income tax</u>		
Current income tax (charge)/benefit	-	-
<u>Deferred income tax</u>		
Relating to origination and reversal of temporary differences	-	-
Income tax benefit as reported in the income statement	-	-
A reconciliation between tax benefit and the product of accounting loss before income tax multiplied by the Group's applicable income tax rate is as follows:		
Accounting loss before tax	(7,807,993)	(5,643,155)
At the statutory income tax rate of 30% (2014: 30%)	(2,342,398)	(1,692,947)
Income not assessable/(expenditure not allowable) for income tax purposes	54,575	(4,380)
R&D Expenditure 2015	2,965,406	3,060,065
R&D tax Incentive not assessable	(1,334,443)	(2,041,899)
Temporary differences not recognised	656,860	679,161
	-	-
<b>6. Dividends</b>		
No dividends have been paid or declared during the year.		
<b>7. Provision for loss on Engineering Services Contract</b>		
Current	4,338,951	5,134,001
Movement in provision for loss on Engineering Services Contract		
At beginning of period	5,134,001	5,023,050
Project expenditure applied against the provision	(5,134,001)	(5,023,050)
Provision arising in the period	4,338,951	5,134,001
At the end of the period	4,338,951	5,134,001
<b>8. Interest bearing loans and borrowings</b>		
<b>Current</b>		
Other loan secured	8,581,373	2,120,000
<b>Terms and conditions</b>		
This loan is from Monadelphous Group Limited and is due for repayment by 31 December 2015.		
The interest rate is 12% per annum.		
It is secured by a PPSA security interest over all PPSA personal property and a fixed charge over all other property.		
At the lender's election, all or part of the loan balance outstanding may be repaid by conversion into equity in AnaeCo Limited, subject to shareholder approval.		
<b>9. Contributed equity</b>		
<b>Issued Capital</b>		
2,610,298,168 (2014: 2,534,325,933) fully paid ordinary shares	71,742,426	71,365,647
Costs of capital raising	(2,964,007)	(2,964,007)
41,083,335 (2014: 41,791,668) reserved shares <sup>(1)</sup>	(607,000)	(644,000)
	68,171,419	67,757,640

# Notes to the preliminary final report

## 9. Contributed equity (cont'd)

Movements in issued capital	Date	2015		2014	
		Shares	\$	Shares	\$
<b>Ordinary fully paid shares</b>					
Balance at 30 June 2014				2,486,369,732	71,078,557
Discretionary bonus <sup>(2)</sup>	Jul '13			13,637,255	115,917
Employee share incentive (LTI) <sup>(4)</sup>	Sep '13			8,000,000	-
Employee share bonus (2013 STI)	Sep '13			11,642,897	98,820
Employee share incentive (LTI)	Nov '13			25,500,000	306,000
LTI shares <sup>(5)</sup>	May '14			750,000	(13,897)
LTI shares cancelled	May '14			(14,458,332)	(258,000)
Shares for services rendered <sup>(3)</sup>	Jul'13 - Jun '14			2,884,381	38,250
Balance at 30 June 2014		2,534,325,933	71,365,647	2,534,325,933	71,365,647
Employee share bonus (2014 STI)	Sep '14	8,861,607	59,946		
LTI shares issued	Dec '14	7,500,000	90,000		
LTI shares <sup>(6)</sup>	Jan '15	(1,333,333)	(10,667)		
LTI shares cancelled	Jan '15	(1,500,000)	(18,000)		
LTI shares cancelled	Jun '15	(5,375,000)	(93,000)		
Shares for services rendered <sup>(3)</sup>	Jul'14 - Jun '15	67,818,961	348,500		
		2,610,298,168	71,742,426		

<sup>(1)</sup> Under the Group's Long Term Incentive plan, shares have been allotted to directors and management pursuant to a loan funded share plan. The plan is accounted for as an in-substance option plan and shares issued under the plan are classified and disclosed as reserved shares. Under the terms of this plan the directors or employees must repay the value of each incentive share as at the time of allotment, if and when the shares are ultimately sold for a value greater than the allotment price.

<sup>(2)</sup> On 9 July 2013 the Company issued 10,490,196 shares to Mr Kedemos and 3,147,059 shares to Mr Lymburn at an issue price of \$0.0085, in payment of a discretionary bonus determined by the Board on 8 May 2013.

<sup>(3)</sup> Third party suppliers provided goods and services in exchange for shares. The fair value of the goods and services supplied was determined with reference to their market value.

<sup>(4)</sup> Employee share incentive (LTI) shares issued after previous year end.

<sup>(5)</sup> Difference in fair value at date of issue and the cumulative share based payment expense previously recognised in respect of Ian Campbell's LTI rights.

<sup>(6)</sup> Difference in fair value at date of exercise of employee's LTI rights.

Ordinary shares entitle the holder to;

- one vote per share at general meetings of shareholders,
- receive dividends declared as payable to ordinary shareholder, and
- participate in a distribution of assets upon winding up of the company after extinguishing all liabilities and any priority claims or charges.

	June 30 2015 \$	June 30 2014 \$
<b>10. Reconciliation of the loss to the net cash flows from operations</b>		
Loss after tax	(7,807,993)	(5,643,155)
<b>Non-cash items:</b>		
Depreciation and amortisation	922,675	904,995
Share based payment expenses	219,105	181,210
Accrued loan interest	504,477	120,000
Consultancy fees not paid in cash	348,500	38,250
Net movement in the provision for loss on engineering services contract	(795,050)	110,951
R&D Tax Incentive refund classified as investing activity	-	(998,163)
<b>Changes in net assets and liabilities:</b>		
Decrease in trade and other receivables	142,936	2,068,428
Decrease/(increase) in prepayments	17,369	(21,951)
(Decrease)/increase in trade and other payables	(385,195)	2,851
Increase in provision for employee benefits	97,491	160,279
Increase in interest bearing liabilities	76,896	-
<b>Net cash flow (used in) operating activities</b>	<b>(6,658,789)</b>	<b>(3,076,305)</b>

# Notes to the preliminary final report

	June 30 2015	June 30 2014
<b>11. Earnings per share</b>		
Basic (loss) per share	(0.3) cents	(0.2) cents
Weighted average number of shares used in the calculation of basic earnings per share	<u>2,562,120,152</u>	<u>2,529,362,569</u>
Diluted (loss) per share	<u>(0.3) cents</u>	<u>(0.2) cents</u>
(Loss) used in determination of basic and diluted earnings per share	<u>(7,807,993)</u>	<u>(5,643,155)</u>

Basic and diluted EPS for all periods prior to the renounceable rights issue completed during the previous year have been adjusted by a factor of 1.184 to account for the bonus element.

Securities on issue and rights at balance date which are potentially dilutive to earnings per share:

Rights to shares in employee share bonus (STI)	-	7,621,048
Total potentially dilutive securities	<u>-</u>	<u>7,621,048</u>

These potentially dilutive securities have not been used in calculating diluted earnings per share, because they are anti dilutive.

No shares have been issued in the period subsequent to 30 June 2015 and up to the date of this report.

## 12. Segment Reporting

The Group has identified its operating segment based on the internal reports that are reviewed and used by the Chief Executive Officer and his management team in assessing performance and in determining the allocation of resources.

The accounting policies applied for internal reporting purposes are consistent with those applied in the preparation of the financial statements.

During the year ended 30 June 2015 the Group received no revenue from engineering services. In previous financial years 100% of the revenue from engineering services was also received from a single customer that is based in Australia.

During the year the Group operated solely in the organic solid waste treatment industry in Australia.

The Group considers the segment assets and liabilities to be consistent with those disclosed in the financial statements.

## 13. Compliance Regarding Audit

This preliminary final report is based on accounts which are in the process of being audited.



Shaun Scott  
Chairman

Perth, 31 August 2015