ENERJI LTD

ABN: 62 009 423 189

(Subject to Deed of Company Arrangement)

ANNUAL REPORT

For the year ended 31 December 2016

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CORPORATE DIRECTORY

ABN: 73 009 168 094

Directors

Rod Phillips
Peter Avery
John Dekker

Company Secretary

Peter Torre

Principal place of business

Unit B9, 431 Roberts Rd
Subiaco WA 6008

Registered office

Unit B9, 431 Roberts Rd
Subiaco WA 6008

Share register

Link Market Services Pty Ltd
Level 12
250 St George's Terrace Perth
WA 6000

Auditors

BDO Audit (WA) Pty Ltd
38 Station Street
Subiaco WA 6008

Solicitors

Steinepreis Paganin
Level 4, 16 Milligan Street
Perth WA 6000

Bankers

Bankwest Perth CSC
108 St Georges Terrace
Perth WA 6000

ASX Code: ERJ

Deed Administrators

Mr Rahul Goyal and Mr Richard Tucker
KordaMentha
Level 10
40 St Georges Terrace
Perth WA 6000

CORPORATE AND OPERATIONAL REVIEW

The directors provide you with the following corporate and operational review of the consolidated entity (referred to hereafter as the Group) consisting of Enerji Ltd ("Enerji" or "the Company"), and subsidiaries for the year ended 31 December 2016.

1.1. Summary

- This Financial Report has been prepared on the basis that Enerji Ltd ("the Company") and its controlled entities are not going concerns for financial reporting purposes.
- On 18 October 2016, the Company was placed into administration, with Messrs Rahul Goyal and Cliff Rocke appointed as administrators of the Company pursuant to section 436C of the Corporations Act ("ERJ Administrators") by its secured creditor, Ames Associates Pty Ltd ("Ames").
- Following the placement of the Company into administration, ECM Pty Ltd ("ECM") submitted to the ERJ Administrators a proposal to recapitalise the Company pursuant to a deed of company arrangement, which included the Company undertaking a capital raising via a private placement of shares to ECM and parties procured by ECM at an issue price of $0.001 per share to raise $5,600,000 before costs ("Recapitalisation Proposal").
- Pursuant to a resolution at the second meeting of creditors on 15 December 2016 held under section 439A of *the C*orporations Act, the Company's creditors resolved that the Company enter into a deed of company arrangement to give effect to the Recapitalisation Proposal.
- On 21 December 2016, the Company entered into a deed of company arrangement with ECM, Messrs Rahul Goyal and Richard Tucker (who replaced Mr Cliff Rocke as administrator) ("ERJ DOCA").
- On 21 December 2016, the ERJ Administrators and the Company also entered into a trust ("Creditors' Trust Deed"), establishing a creditors trust for and on behalf of the Company's creditors ("Creditors Trust"). The ERJ Administrators are the trustees of the Creditors Trust.
- Separately, the Company's wholly owned subsidiary, Enerji Holdings Pty Ltd ("Enerji Holdings") is also subject to a Deed of Company Arrangement (the "EHPL DOCA") and is being externally administered by Messrs Robert Michael Kirman and Matthew Wayne Caddy of McGrath Nicol ("EHPL Administrators").
- The ability for the Group to continue in existence is dependent on the effectuation of the ERJ DOCA and the EHPL DOCA. The effectuation of each of the ERJ DOCA and EHPL DOCA is subject to certain conditions.
- A detailed summary of the Recapitalisation Proposal, the ERJ DOCA and the EHPL DOCA are outlined below.

1.2. Purpose of the Recapitalisation Proposal

The purpose of the Recapitalisation Proposal is, amongst other things, to:

a) provide funding for the future plans and activities of the Company;
b) provide working capital to the Company;
c) allow the Company to continue to operate as a going concern; and
d) facilitate the reinstatement of the Company's shares to trading on the ASX.

1.3. Future of the Company

If the Recapitalisation Proposal is implemented, the Company intends to:

a) commence a detailed process engineering exercise which will focus on, amongst other matters, process flow rates, efficiency and reliability enhancements and configuration of the ATEN technology;
b) enter into discussions with various third parties to negotiate the execution of ATEN technology integration and related power purchase agreements;
c) continue the Company's pre-administration activities in relation to the expansion of its power generation footprint through the development and/or acquisition of micro-grid power supply solutions and other power generation assets that can further the exploitation and roll-out of the ATEN technology;
d) re-engage with ECM with a view to entering into a new strategic partnership arrangement; and
e) enhance the capacity and capability of the Company in power generation technology development and engineering, project delivery and on-going maintenance services.

1.4. Recapitalisation Proposal / Enerji Ltd Deed of Company Arrangement

The Recapitalisation Proposal is contained within the ERJ DOCA. The salient terms of the Recapitalisation Proposal are summarised below:

a) the Company undertaking an equity capital raising via a private placement of shares to ECM and parties procured by ECM at an issue price of $0.001 per share to raise $5,600,000 before costs (the "Capital Raising");
b) ECM advancing a minimum contribution of $2,000,000 ("DOCA Contribution") by way of a loan to the Company, comprised of the following tranches:
   i. A non-refundable deposit of $100,000 (ECM Deposit);
   ii. An additional advance of $1,900,000 at completion of the ERJ DOCA; and
   iii. if required, an additional loan equivalent to the sum required to pay a dividend to Magna Equities II, LLC ("Magna") equivalent to 50 cents in the dollar of its admitted claim,

   (together, the "DOCA Loan") to be advanced to the ERJ Administrators to form a deed fund (the "Deed Fund"); and

c) the establishment of the Creditors' Trust and the transfer of the amount provided under the DOCA Loan and the cash and cash equivalents of the Company from the Deed Fund into the Creditors' Trust.

The Company provides the following additional clarifications with respect to the status of the ERJ DOCA and Recapitalisation Proposal.

- The non-refundable deposit referred to in paragraph b) i. above was paid by ECM on 22 December 2016.
- The additional advance detailed at b) ii. above and formation of the Deed Fund is conditional on the satisfaction of the ERJ DOCA conditions.
- The Company does not expect the amount that may be required to be paid under paragraph 1.4b)iii to exceed $60,000.
- On 21 December 2016, the ERJ Administrators and the Company entered into a trust ("Creditors' Trust Deed"), establishing a creditors trust for and on behalf of the Company's creditors ("Creditors' Trust"). The ERJ Administrators are the trustees of the Creditors' Trust.
- All parties having a claim against the Company are bound by the Creditors' Trust Deed, with the exception of any excluded claims. All claims under the ERJ DOCA shall be adjudicated and determined in accordance with the procedures of the Creditors' Trust Deed. All claims of creditors against the Company will be extinguished in the ERJ DOCA and substituted for the rights of the beneficiaries under the Creditors Trust.
- Excluded claims refer to any debt payable to or claim which either ECM (with respect to the provision of the DOCA Loan) or Opcon Energy Systems AB has against the Company.

The Recapitalisation Proposal remains contingent on the satisfaction (and or waiver by ECM at its absolute discretion) of the following conditions, none of which have yet been satisfied as at the date of this report:

a) the Company satisfying the ASX re-instatement conditions and the ASX approving the re-instatement of the Company's shares to official quotation;
b) the Company entering into subscription agreements with various subscribers procured by, and including, ECM and its associates for the purposes of the Capital Raising;
c) shareholders approving all necessary resolutions pertaining to the Capital Raising; and
d) the ERJ Administrators and the Company procuring the release of the security interest held by Ames.

A meeting of the Company's shareholders is due to be held on or around 28 April 2017. The Company expects that all of the abovementioned conditions (save for condition c)) will be satisfied on or before that date.

Upon satisfaction of the abovementioned conditions precedent and effectuation of the ERJ DOCA, the following will occur:

a) The ERJ Administrators must transfer the amount provided under the DOCA Loan and the cash and cash equivalents of the Company from the Deed Fund into the Creditors' Trust.
b) The Trustees must apply the Creditors' Trust in the following order of priority:
   i. first, payment of the administration liabilities and ERJ Administrators' remuneration for acting as Administrators, Deed Administrators and Trustees;
   ii. second, payment of the claim to Ames, which shall be treated with the same priority as if its security interest was a security interest in respect of the Creditors' Trust;
   iii. third, payment of claims determined by the Trustees to be priority claims;
   iv. fourth, payment of claims determined by the Trustees to be creditor claims, on a pro rata basis;
   v. fifth, after payment to Magna pursuant to paragraph (iv.) above, payment of an additional amount calculated by deducting the amount paid or due to Magna under paragraph (iv.) above from half of its claim admitted to proof by the Administrators against Enerji (Admitted Claim). For the avoidance of doubt, it is contemplated that Magna will

receive distributions under paragraphs (iv.) and (v.) which together will equate to a return to Magna of 50 cents in the dollar in respect of its Admitted Claim;

vi. sixth, payment of any interest determined by the Trustees to be payable on creditors' claims since 18 October 2016; and

vii. last, a surplus (if any) following the order of priority payment above will be payable to Enerji.

c) On and from the settlement date of the ERJ DOCA, the Company is released from all Claims, except for any excluded claims.

d) The Creditors' Trust Deed will bind all the creditors of Enerji. All Claims under the ERJ DOCA shall be adjudicated and determined in accordance with the procedures of the Creditors' Trust Deed.

e) A payment made by the Trustees in accordance with the Creditors' Trust Deed shall constitute a full and final discharge of the obligations of the Trustees to the creditors and a creditor is taken for all purposes to have abandoned all Claims and all other entitlements to a distribution from the Creditors' Trust.

f) Creditors must accept their entitlements under the Creditors' Trust in full satisfaction and complete discharge of all debts, liabilities and claims which they have or claim to have against Enerji, as at 18 October 2016, or against the Creditors' Trust and each of them will, if called upon to do so, execute and deliver to the Trustees such forms of release of any such claim as the Trustees requires.

1.5. Subsidiary Deed of Company Arrangement

In addition to the ERJ DOCA, on 9 January 2017, Enerji Holdings entered into a deed of company arrangement with the EHPL Administrators and ECM.

Under the terms of the EHPL DOCA, ECM is required to advance a loan to Enerji Holdings as follows:

a) $20,000 as a non-refundable deposit; and
b) $40,000 within five business days of completion of the DOCA, being a date no later than 21 March 2017,

(together, the "**EHPL DOCA Loan**").

Both tranches of the EHPL DOCA Loan were transferred by ECM to the EHPL Administrators on or before 31 January 2017.

All creditor claims in respect to Enerji Holdings will be addressed and settled under the EHPL DOCA, in accordance with the material terms listed below.

a) the deed fund of the EHPL DOCA shall comprise of Enerji Holdings cash at bank and the EHPL DOCA Loan ("**EHPL Deed Fund"**);

b) the EHPL Administrators must apply the EHPL Deed Fund in the following order of priority:
   i. first, payment of the administration liabilities and EHPL Administrators' remuneration for acting as administrators of Enerji Holdings and administrators of the EHPL DOCA;
   ii. second, payment of claims determined by the EHPL Administrators to be priority claims;
   iii. third, payment of claims determined by the EHPL Administrators to be admitted claims (other than those of priority creditors);
   iv. fourth, payment of any interest determined by the EHPL Administrators to be payable on admitted claims since 19 September 2016, on a pro-rata basis; and
   v. last, a surplus (if any) following the order of priority payment above will be payable to Enerji Holdings;

c) all creditors of Enerji Holdings will accept their entitlement to a distribution of the EHPL Deed Fund in full and final satisfaction and complete discharge of any claims which they have, or claim to have against Enerji Holdings, the EHPL Deed Fund and/or the EHPL Administrators;

d) claims of ECM against Enerji Holdings will not be released by the EHPL DOCA and will survive the effectuation of the EHPL DOCA; and

e) the EHPL DOCA Loan will be repayable on the earliest of the repayment of the DOCA Loan or on written demand by ECM giving no less than 90 days' notice, save that no such demand may be made by ECM whilst Enerji Holdings remains subject to the EHPL DOCA.

1.6. Commentary on results for the period

The Group incurred a loss after tax for the year ended 31 December 2016 of $2,548,183 (2015: loss of $578,378), experienced net cash outflows from operating activities of $778,830 (2015: cash outflow of $260,630) and has a net asset deficiency of $5,754,445 (2015: deficiency $3,555,641).

The ability of the Group to continue in existence is dependent on the effectuation of the ERJ DOCA and the EHPL DOCA.

Refer to the sections above for detailed information relating to the ERJ DOCA and EHPL DOCA.

1.7. Basis of Preparation

1.7.1. Non-Going Concern

This Financial Report has been prepared on the basis that Enerji Ltd and its controlled entities are not going concerns for financial reporting purposes.

1.7.2. Incomplete Financial Information

This Financial Report has been prepared by Directors who were in office for the entire period presented in this report, however their duties and responsibilities were suspended from the date the Company entered administration. For the period in which the Company was in administration the Directors did not have oversight or control over the group's financial reporting systems, including (but not limited to) being able to obtain access to complete accounting records of the Company. Every reasonable effort has been made by the Directors to ascertain the true position of the Company as at 31 December 2016, however the Directors are of the opinion that it is not possible to state that the audited remuneration disclosures, financial statements and accompanying notes are in accordance with the *Corporations Act 2001*.

DIRECTOR'S REPORT

The directors present their report together with the financial report of the consolidated entity (referred to hereafter as the Group) consisting of Enerji Ltd ("Enerji" or "the Company"), and subsidiaries for the year ended 31 December 2016 and the auditor's report thereon.

1. Directors and Officers

The names and details of the Company's directors in office during the financial year and until the date of this report are set out below. Directors were in office for the entire period unless otherwise stated.

Rod Phillips – Non-Executive Chair

Rod is currently a director of Directional Systems Australia an outdoor advertising company which holds various long-term license agreements with numerous local government municipalities in Western Australia.

Rod was Managing Director of Perth Sign, an outdoor advertising company for 26 years which held some 19 license agreements with local governments including bus shelters, until sold to a multinational company in 2006. Rod was responsible for arranging numerous agreements with owners of buildings on the Perth skyline for the display of high voltage neon signs.

Rod has been instrumental in negotiating successful policy agreements with the State Government of WA and Main Roads WA for the advertising industry in WA.

Other current directorships

- None

Former directorships in last 3 years

- None

Special responsibilities

- Chair of the board.

Interests in shares and options

- 4,215,000 ordinary shares in Enerji Ltd.
- Nil options in Enerji Ltd.

Peter Avery – Non-Executive Director

Peter Avery has over 20 years' professional experience within the stockbroking industry. During the previous 10 years, Peter has held a senior role as a private client advisor at Perth broking firm, DJ Carmichael (DJC). Prior to joining DJC, Peter developed specialist skills as an equity advisor at Todd Partners managing client portfolios.

Peter's industry experience includes extensive capital raisings within the resource and mining sectors and he holds a Diploma of Financial Planning from Deakin University.

Other current directorships

- None

Former directorships in last 3 years

- Baru Resources Limited

Special responsibilities

- Investor Relations.

Interests in shares and options

- 105,652,093 ordinary shares in Enerji Ltd.
- Nil options in Enerji Ltd.

John Dekker – Non-Executive Director

John is a professional investor with considerable experience in investing in the energy, resources and infrastructure sectors.

John is a member of the Housing Association and currently is a director of a building company in Albany involved in property development. John is currently on the board of Shalom Inc., a company focussed on community initiatives to provide help and support to the homeless.

John's main experience is in the infrastructure/building industry, and from investing in a range of companies where he has taken an active role in assisting companies with maintaining their corporate strategies to add shareholder value.

Other current directorships

- None

Former directorships in last 3 years

- None

Special responsibilities

- None

Interests in shares and options

- 50,186,013 ordinary shares in Enerji Ltd.
- Nil options in Enerji Ltd.

Mr Peter Torre – Company Secretary

Mr Torre is a Chartered Accountant, a Chartered Secretary and a member of the Australian Institute of Company Directors.

Mr Torre is the principal of Torre Corporate, an advisory firm which provides corporate secretarial services to a range of ASX listed companies. He was previously a partner of an internationally affiliated firm of Chartered Accountants working within its Corporate Services Division.

2. Directors' meetings

The number of meetings of directors held during the year and the number of meetings attended by each director were as follows:

	Meetings Held	Meetings Attended
Rod Phillips	9	8
Peter Avery	9	9
John Dekker	9	8

Notes:

- Number of meetings held is for the time the director held office or was a member of the committee during the year.
- The Audit Committee and the Remuneration Committee did not meet during the year.

3. Principal activities

The principal activities of the Group during the course of the financial year were:

- Design and development of systems to produce electricity from heat.
- Sourcing the funding required to construct the Company's first commercial project.
- Discussions with potential customers of waste heat to electricity generation systems.
- Pursuit of opportunities in the power generation sector (including solar micro-grid solutions) in order for the Company to expand its power generation asset footprint, earnings and shareholder value.

4. Incomplete records

On 18 October 2016, Ames Associates Pty Ltd (represented by Mr Colin Stonehouse), exercised its rights under a PPSR security interest to place the Company into voluntary administration. Ames Associates appointed Mr Cliff Rocke and Mr Rahul Goyal of KordaMentha as voluntary administrators of the Company.

Following the appointment of administrators, the powers of the Company's officers (including Directors) were suspended and the administrators assumed control of the Company's business, property and affairs.

This Financial Report has been prepared by Directors who were in office for the period presented in this report, however their duties and responsibilities were suspended from the date the Company entered administration. For the period in which the Company was in administration the Directors did not have oversight or control over the group's financial reporting systems, including (but not limited to) being able to obtain access to complete accounting records of the Company. Every reasonable effort has been made by the Directors to ascertain the true position of the Company as at 31 December 2016.

5. Dividends

There were no dividends paid or declared by the Company to members since the end of the previous financial year.

6. Operating & Financial Review

The Company provides the following Operating and Financial Review.

(a) Operations

Throughout 2016, up until the date the Company entered administration, the Company continued its corporate re-engineering and product development activities and continued to advance toward the commercialisation of its products.

A number of important milestones are detailed in the "Significant changes in the state of affairs" below, including the following:

- During January 2016, the Company announced it had entered into a 5-year Power Purchase Agreement with Northern Star Resources Limited for the commercial installation of its waste heat to electricity technology at Northern Star's Jundee Gold Mine ("Jundee").
- A number of Memorandum's of Understanding were entered into with a range of counterparties, providing the Company the opportunity to investigate potential applications of the Company's products and to advance the Company's broader power generation strategy.

(b) Financial Performance & Financial Position

The financial results of the Group for the year ended 31 December 2016 are summarised as follows:

	31-Dec-16 $	31-Dec-15 $	% Change
Cash and cash equivalents	250,926	612,117	(59%)
Net assets/(liabilities)	(5,754,445)	(3,555,641)	62%
Revenue	-	382,000	(100%)
Net loss after tax	(2,548,183)	(578,378)	(341%)
Loss per share	$0.004	$0.001	300%

7. Significant changes in the state of affairs

Significant changes in the state of affairs of the Group during the financial year are summarised as follows:

(a) Deed of Company Arrangement (DOCA) – Enerji Ltd:

- On 18 October 2016, the Company was placed into administration, with Messrs Rahul Goyal and Cliff Rocke appointed as administrators of the Company pursuant to section 436C of the *Corporations Act 2001* ("Corporations Act") ("ERJ Administrators") by its secured creditor, Ames Associates Pty Ltd ("Ames").
- Following the placement of the Company into administration, ECM Pty Ltd ("ECM") submitted to the ERJ Administrators a proposal to recapitalise the Company pursuant to a deed of company arrangement, which included the Company undertaking a capital raising via a private placement of shares to ECM and parties procured by ECM at an issue price of $0.001 per share to raise $5,600,000 before costs ("Recapitalisation Proposal").
- Pursuant to a resolution at the second meeting of creditors on 15 December 2016 held under section 439A of *the Corporations Act*, the Company's creditors resolved that the Company enter into a deed of company arrangement to give effect to the Recapitalisation Proposal.
- On 21 December 2016, the Company entered into a deed of company arrangement with ECM, Messrs Rahul Goyal and Richard Tucker (who replaced Mr Cliff Rocke as administrator) ("ERJ DOCA").
- On 21 December 2016, the ERJ Administrators and the Company also entered into a trust ("Creditors' Trust Deed"), establishing a creditors trust for and on behalf of the Company's creditors ("Creditors Trust"). The ERJ Administrators are the trustees of the Creditors Trust.

- A more detailed summary of the ERJ DOCA and Recapitalisation Proposal are outlined in the Corporate and Operational Review.

(b) Deed of Company Arrangement (DOCA) – Enerji Holdings Pty Ltd

- On 19 September 2016, the Company appointed Mr Robert Kirman and Mr Matthew Caddy as joint and several voluntary administrators (together "the EHPL Administrators") of Enerji Holdings Pty Ltd ("Enerji Holdings").
- On 9 January 2017, Enerji Holdings entered into a deed of company arrangement with the EHPL Administrators and ECM.
- A more detailed summary of the EHPL DOCA are outlined in the Corporate and Operational Review.

(c) Proposed ECM Transaction

- On 8 August 2016, the Company announced that it had executed definitive and binding documentation with ECM Pty Ltd ("ECM") with respect to a Subscription Agreement and Strategic Partnership Agreement (collectively "the ECM Transaction"). Under these Agreements (which were subject to a number of conditions precedent which were to be satisfied on or before 31 October 2016 ("end date")), ECM was to subscribe to a Share Placement of $2,500,000 and provide a $2,000,000 convertible note facility to Enerji. In addition, Mr Simon Higgins (CEO and Managing Director of ECM), will be appointed as a Non-Executive Director, and Mr Adam Boyd will be appointed as Acting Chief Executive Officer. Upon completion of the Share Placement, Mr Adam Boyd would be appointed as Chief Executive Officer and Managing Director.
- On 13 October 2016, the Company announced that it was negotiating with ECM regarding an extension of the end date to satisfy the conditions precedent attaching to the ECM Transaction. The Company announced that in order to reach agreement on the extension of the End Date, the Subscription Agreement is likely to be amended, including the following:
  - A reduction in the subscription prices of $0.015 to a price of $0.005; and
  - An increase in the share placement subscription amount from $2.5m to $4.5m, in lieu of a reduction in the convertible note placement amount from $2.0m to nil.

  As a result of the Company entering administration, the proposed ECM transaction did not eventuate.

(d) Convertible Loan – Magna Equities

- On 29 March 2016, the Company entered into a USD$400,000 convertible loan facility with Magna Equities II LLC ("Magna"). The Facility has a term of 12 months and is interest free. The Facility has a 10% establishment fee (USD $40,000) which has been capitalised into the principal outstanding.

  Under the terms of the Loan Agreement and Subscription Agreement under the Facility, Magna has the right to subscribe for Enerji shares at a price equal to the lesser of:

  - a 20% discount to the lowest volume weighted average price (VWAP) in the five days prior to subscription; or
  - a fixed price of $A0.035.

  Magna subscribed for the following shares during the year:

  - On 31 March 2016 Magna subscribed for 1,216,890 Enerji shares at a subscription price of $0.02176 (being a 20% discount to the lowest volume weighted average price (VWAP) in the five days prior to subscription.
  - On 11 May 2016 Magna subscribed for 1,557,795 Enerji shares at a subscription price of $0.01752 (being a 20% discount to the lowest volume weighted average price (VWAP) in the five days prior to subscription.
  - On 18 May 2016 Magna subscribed for 3,122,306 Enerji shares at a subscription price of $0.01760 (being a 20% discount to the lowest volume weighted average price (VWAP) in the five days prior to subscription.
  - On 23 June 2016 Magna subscribed for 2,597,486 Enerji shares at a subscription price of $0.02064 (being a 20% discount to the lowest volume weighted average price (VWAP) in the five days prior to subscription.
  - On 2 August 2016 Magna subscribed for 3,211,192 Enerji shares at a subscription price of $0.01656 (being a 20% discount to the lowest volume weighted average price (VWAP) in the five days prior to subscription.
  - On 31 August 2016 Magna subscribed for 3,746,854 Enerji shares at a subscription price of $0.01048 (being a 20% discount to the lowest volume weighted average price (VWAP) in the five days prior to subscription.
  - On 12 September 2016 Magna subscribed for 4,950,181 Enerji shares at a subscription price of $0.00792 (being a 20% discount to the lowest volume weighted average price (VWAP) in the five days prior to subscription.

  As at the date the Company entered administration, the principal outstanding on the Facility was USD $220,000.

(e) Power Purchase Agreement – Northern Star Resources Limited

- During January 2016, the Company announced it had entered into a 5-year Power Purchase Agreement with Northern Star Resources Limited for the commercial installation of its waste heat to electricity technology at Northern Star's Jundee Gold Mine ("Jundee").

(f) Other

- A number of Memorandum's of Understanding were entered into with a range of counterparties, providing the Company the opportunity to investigate potential applications of the Company's products and to advance the Company's broader power generation strategy.

8. Events subsequent to reporting date

- On 9 January 2017, Enerji Holdings entered into a deed of company arrangement with the EHPL Administrators and ECM.
- A more detailed summary of the EHPL DOCA are outlined in the Corporate and Operational Review.
- The Company and ECM have been working with the ERJ Administrators and the EHPL Administrators to ensure all conditions are met with respect to the ERJ DOCA and EHPL DOCA.

No other matter or circumstance has arisen since 31 December 2016 that has significantly affected the group's operations, results or state of affairs, or may do so in future years.

9. Likely developments and expected results of operations

Likely developments in the operations of the Group that were not finalised at the date of this report, include:

- Effectuation of the ERJ DOCA is expected to occur during April 2017. Effectuation of the ERJ DOCA will result in a significant recapitalisation of the Company and enable the Company to focus on the following:
  - commence a detailed process engineering exercise which will focus on, amongst other matters, process flow rates, efficiency and reliability enhancements and configuration of the ATEN technology;
  - enter into discussions with various third parties to negotiate the execution of ATEN technology integration and related power purchase agreements;
  - continue the Company's pre-administration activities in relation to the expansion of its power generation footprint through the development and/or acquisition of micro-grid power supply solutions and other power generation assets that can further the exploitation and roll-out of the ATEN technology;
  - re-engage with ECM with a view to entering into a new strategic partnership arrangement; and
  - enhance the capacity and capability of the Company in power generation technology development and engineering, project delivery and on-going maintenance services.
- All conditions precedent within the EHPL DOCA have been met. Dividends are expected to be paid to creditors during April 2017.

Further specific information about likely operational and corporate developments within the Group and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the Group.

10. Environmental regulation

The Group is subject to environmental regulation in respect of its installation of a pilot plant at Carnarvon in Western Australia. Works approval was obtained before installation work commenced on a site under the *Western Australian Environmental Protection Act 1986*. The relevant authority was provided with required information, and to the best of the knowledge of the directors, all activities have been undertaken in compliance with the requirements of the works approvals in place.

11. Remuneration Report – 2016

Remuneration report overview

This Remuneration Report sets out information about the remuneration of the key management personnel (KMP) of the Company and its controlled entities for the year ended 31 December 2016. This Report forms part of the Directors' Report and has been audited in accordance with section 300A of the *Corporations Act 2001*.

The Report details the remuneration arrangements for the Company's key management personnel:

- Non-executive directors (NED's); and
- Executive directors and senior executives (collectively the Executives).

KMP are those persons who, directly or indirectly, have authority and responsibility for planning, directing and controlling the major activities of the Company and the Group.

The Company was in administration from 18 October 2016. On entering administration, the Administrators were responsible for the remuneration policies of the Company.

The Directors who are in office at the date of this report had no involvement in adopting, implementing or complying with these remuneration policies during the period in which the Company has been in administration. These policies may or may not have been in place during the period in which the Company has been in administration.

The report is structured as follows:

a) Key Management Personnel (KMP) covered in this report
b) Remuneration policy, link to performance and elements of remuneration
c) Link between remuneration and performance
d) Contractual arrangements for executive KMP
e) Remuneration expenses for executive KMP
f) Non-executive director arrangements
g) Share-based compensation
h) Other statutory information

(a) Key management personnel covered in this report

The table below outlines the KMP of the Group covered in this report.

Name	Position	Term as KMP
Non-executive directors		
Mr Rod Phillips	Non-Executive Chair	Full financial year.
Mr Peter Avery	Non-Executive Director	Full financial year.
Mr John Dekker	Non-Executive Director	Full financial year.
Mr Steven Formica	Non-Executive Chair	Ceased 21 May 2015.
Mr Peter Thomas	Non-Executive Director	Ceased 21 May 2015.
Mr Justin Audcent	Non-Executive Director	Ceased 9 February 2015.
Executives		
Mr Adam Boyd	Chief Executive Officer (Acting)	Appointed 8 August 2016. Resigned 19 October 2016
Mr Andrew Vlahov	Chief Executive Officer	Terminated 1 August 2016.
Mr Stephen Jones	Chief Financial Officer	Ceased 18 October 2016.

Changes since the end of the reporting period

There have been no changes to the non-executive directors and other key management personnel covered in this report since the end of the reporting period.

(b) Remuneration policy, link to performance and elements of remuneration

The Company's remuneration committee is comprised of the Chair and a non-executive director.

During the reporting period, no payments were made to a person before the person took office as part of the consideration for the person agreeing to hold office.

Non-executive directors

On appointment to the Board, all non-executive directors enter into a service agreement with the company in the form of a letter of appointment. The letter summarises the board policies and terms, including compensation, relevant to the office of director.

Presently no element of director remuneration is 'at risk', that is, fees are not based on the performance of the Company or equity based.

Executive management

Executive management have authority and responsibility for planning, directing and controlling the activities of the company. Compensation levels for executive management of the Company are set competitively to attract and retain appropriately qualified and experienced and senior executives.

The compensation structures for executives are designed to attract suitably qualified candidates, reward the achievement of strategic objectives and achieve the broader outcome of the creation of value for shareholders. The compensation structure takes into account the executives' capability and experience, level of responsibility and ability to contribute to the Company's performance, including the establishment of revenue streams and growth in shareholder returns.

Fixed compensation consists of a base salary or fee (calculated on a total cost basis, including any fringe benefits tax related to employee benefits) as well as employer contributions to superannuation funds. The board through a process that considers individual and company achievement reviews compensation levels annually.

(c) Link between remuneration and performance

The Group will be seeking to establish a short-term incentive (STI) scheme and a long-term incentive (LTI) scheme, presently there is no formal policy in place but the remuneration committee will consider this in due course.

Key performance indicators of the group over the last five years

	y/e 2012	y/e 2013	y/e 2014	y/e 2015	y/e 2016
Share Price $	0.05	0.002	0.009	0.038	0.005[1]
Dividend paid	-	-	-	-	-
EPS $	(0.005)	(0.002)	(0.023)	(0.001)	(0.004)

[1] Shares in the Company were suspended from trading on the ASX prior to market open on 18 October 2016. The closing price on 17 October 2016 was $0.005 per share.

(d) Contractual arrangements for executive KMP

Remuneration and other terms of employment for the executive management are formalised in service agreements. No executives were employed by the Company at 31 December 2016 or at the date of this report.

Details of the nature and amount of each major element of remuneration are set out below:

- Mr Adam Boyd resigned from the role as interim Chief Executive Officer with effect from 19 October 2016.
- Mr Stephen Jones's role as Chief Financial Officer ceased upon the Company entering administration on 18 October 2016.
- Mr Andrew Vlahov was terminated as Chief Executive Officer with effect from 1 August 2016.

During the reporting period, no payments were made to a person before the person took office as part of the consideration for the person agreeing to hold office.

(e) Remuneration expenses for executive KMP

The following table shows the details of the remuneration expense recognised for the group's executive key management personnel for the current and previous financial year measured in accordance with the accounting standards.

		Fixed Remuneration				Variable Remuneration			
Name	**Year**	**Salary & fees**	**Post-employment benefits**	**Non-monetary benefits**	**Termination benefits**	**Rights to Deferred Shares**	**Options**	**Total**	**Performance Related**
Adam Boyd (8 August 2016 to 19 October 2016)	2016	75,854	-	-	-	-	-	75,854	-
	2015	-	-	-	-	-	-	-	-
Andrew Vlahov (until 1 August 2016)	2016	195,606	-	-	85,000	(24,539) [1]	(6,199) [1]	249,868	-
	2015	196,039	-	-	-	24,539	6,199	226,777	13.55%
Stephen Jones (until 18 October 2016)	2016	124,179	-	-	-	-	-	124,179	-
	2015	125,900	-	-	-	-	-	125,900	-
Total executive KMP	**2016**	**395,639**	**-**	**-**	**85,000**	**(24,539)**	**(6,199)**	**449,901**	**-**
	2015	321,939	-	-	-	24,539	6,199	352,677	-
Non-executive directors	**2016**	**161,935**	**4,274**	**-**	**-**	**-**	**-**	**166,209**	**-**
	2015	146,101	7,122	-	-	-	-	153,223	-
Total KMP remuneration	**2016**	**557,574**	**4,274**	**-**	**85,000**	**(24,539)**	**(6,199)**	**616,110**	**-**
	2015	468,040	7,122	-	-	24,539	6,199	**505,900**	**-**

[1] Mr Vlahov's executive agreement was terminated on 1 August 2016. Share based payment expenses incurred during the year to 1 August 2016 total $54,616. Mr Vlahov's rights to deferred shares and options lapsed as a result of termination, resulting in all expenses incurred being reversed in accordance with AASB 2.

(f) Non-executive director arrangements

Non-executive directors are paid base fees only, which are fixed by the Board (2016: $60,000, 2015: $60,000). The Non-executive directors accepted a 50% discounted fee from 1 October 2015. This applied until 1 April 2016. After 1 April 2016, an accrual was booked to restate the directors' fees from 1 October 2015 to the full value. This accrual remains unpaid at 31 December 2016.

There is no additional fee for serving on board committees. They do not receive performance-based pay or retirement allowances. The chairman does not receive additional fees for participating in or chairing committees. Fees are reviewed annually by the board with the level of Directors' remuneration being set having regard to independent survey data and publicly available information about fees paid to non-executive directors in a range of comparable companies.

The Directors are entitled to be reimbursed for all travel and related expenses properly incurred in connection with the business of the Company.

Details of the nature and amount of each major element of remuneration are set out below:

The Company makes contributions at the statutory minimum rate to superannuation funds nominated by directors, included in the base fee.

The total amount of remuneration, including superannuation, for all non-executive directors must not exceed the limit approved by shareholders. The aggregate cash remuneration of all non-executive directors was set at $400,000 per annum at a general meeting held on 1 December 2009.

Non-executive director remuneration

Name	Year	Base Fee	Audit Committee	Nomination Committee	Remuneration Committee	Super-annuation Benefits	Total
Rod Phillips	2016	53,266	-	-	-	2,137	55,403
(from 21 May 2015)	2015	24,888	-	-	-	2,612	27,500
John Dekker	2016	53,266	-	-	-	2,137	55,403
(from 21 May 2015)	2015	24,888	-	-	-	2,612	27,500
Peter Avery	2016	55,403	-	-	-	-	55,403
(from 24 April 2014)	2015	52,500	-	-	-	-	52,500
Steven Formica	2016	-	-	-	-	-	-
(from 24 April 2014)	2015	25,000	-	-	-	-	25,000
Peter Thomas	2016	-	-	-	-	-	-
(from 10 February 2015 to 21 May 2015)	2015	8,225	-	-	-	891	9,116
Justin Audcent	2016	-	-	-	-	-	-
(from 17 January 2014 to 9 February 2015)	2015	10,600	-	-	-	1,007	11,607
Total	**2016**	**161,935**	**-**	**-**	**-**	**4,274**	**166,209**
Compensation	2015	146,101	-	-	-	7,122	153,223

(g) Share-based compensation

There was no share based payments for remuneration of non-executive directors or executive management issued during the year.

Since the end of the financial year, the Company has not issued any ordinary shares as share based payments for remuneration of non-executive directors or executive management.

The Board does not have a policy that restricts the holders of securities issued as share based payments as part of their remuneration from entering into other arrangements that limit their exposure to losses that would result from share price decreases. The Board is not aware of any holder entering into any such arrangements.

Other than noted above no terms of equity-settled share based payment transactions (including options granted as compensation to a key management person or a director) have been altered or modified by the Company during the reporting period. No options have been exercised as a result of previously issued remuneration options.

(h) Other statutory information

The following tables show the relative proportions of remuneration that are linked to performance and those that are fixed based on the amounts disclosed as statutory remuneration expense in e) and f) above.

(i) Proportions of remuneration linked to performance

	Fixed		At risk STI		At risk LTI	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**
Non-executive directors						
Rod Phillips	100%	100%	-	-	-	-
John Dekker	100%	100%	-	-	-	-
Peter Avery	100%	100%	-	-	-	-
Steven Formica	-	100%	-	-	-	-
Peter Thomas	-	100%	-	-	-	-
Justin Audcent	-	100%	-	-	-	-

	Fixed		At risk STI		At risk LTI	
	2016	2015	2016	2015	2016	2015
Other KMP						
Adam Boyd	100%	-	-	-	-	-
Andrew Vlahov	84%	87%	-	-	16%[1]	13%
Stephen Jones	100%	100%	-	-	-	-

[1] Mr Andrew Vlahov received LTI remuneration in the form of deferred shares and options in the year ended 31 December 2015 as shown in (ii) below. The value of the 2015 share based payments during the year to 1 August 2016 totalled $54,616. Mr Vlahov's executive agreement was terminated on 1 August 2016. Mr Vlahov's rights to deferred shares and options lapsed as a result of termination, resulting in all expenses incurred (2016 and 2015) being reversed in accordance with AASB 2. The value of the expense to 1 August 2016 ($54,616) is equal to 16% of the total remuneration before reversal of the share based payment expenses.

(ii) Reconciliation of options, deferred shares and ordinary shares held by KMP

Options

The number of options over ordinary shares in the Company held during the financial year by each director of Enerji Ltd and other key management personnel of the Group, including their personally related parties, are set out below.

2016	Balance at the start of the year		Granted as compensation	Vested		Exercised	Forfeited		Other changes [1]	Balance at the end of the year	
Name	Vested and exercisable	Un vested		Number	%		Number	%		Vested and exercisable	Un vested
Rod Phillips	-	-	-	-	-	-	-	-	-	-	-
John Dekker	22,500	-	-	-	-	-	-	-	(22,500)	-	-
Peter Avery	65,000	-	-	-	-	-	-	-	(65,000)	-	-
Adam Boyd	-	-	-	-	-	-	-	-	-	-	-
Andrew Vlahov	-	7,500,000	-	-	-	-	(7,500,000)	100%	-	-	-
Stephen Jones	-	-	-	-	-	-	-	-	-	-	-

[1] Other changes relate to $2.00 options which expired on 31 December 2016.

Rights to deferred shares

The number of deferred shares in the Company granted, vested and forfeited during the financial year by each director of Enerji Ltd and other key management personnel of the Group, including their personally related parties, are set out below.

2016	Balance at the start of the year	Granted during the year	Rights to deferred shares				Balance at the end of the year (unvested)	Maximum value yet to vest
			Vested		Forfeited			
Name	Number	Number	Number	%	Number	%	Number	%
Rod Phillips	-	-	-	-	-	-	-	-
John Dekker	-	-	-	-	-	-	-	-
Peter Avery	-	-	-	-	-	-	-	-
Adam Boyd	-	-	-	-	-	-	-	-
Andrew Vlahov	17,500,000	-	-	-	(17,500,000)	100%	-	-
Stephen Jones	-	-	-	-	-	-	-	-

Shareholdings

The number of shares in the Company held during the financial year by each director of Enerji Ltd and other key management personnel of the Group, including their personally related parties, are set out below.

There were no shares granted during the reporting period as compensation.

2016					
Name	**Balance at start of the year**	**Granted as compensation**	**Acquired for cash**	**Other changes**	**Balance at the end of the year**
Directors of Enerji Ltd					
Rod Phillips	4,215,000	-	-	-	4,215,000
John Dekker	50,186,013	-	-	-	50,186,013
Peter Avery	105,652,093	-	-	-	105,652,093
Other key management personnel of the group					
Adam Boyd	-	-	-	-	-
Andrew Vlahov	-	-	-	-	-
Stephen Jones	-	-	-	-	-

(iii) Loans to key management personnel

During the year, there were no loans made to directors of Enerji Ltd or any other key management personnel of the Group, including any related parties.

(iv) Other transactions with key management personnel

- Mr Avery was contracted to supply investor relations services to the company at a fixed monthly fee of $10,000. These services were provided on normal commercial terms. A proof of debt was submitted to the Administrator detailing amounts owing (with respect to these services) of $66,000 at the date the Company entered administration.
- On 4 April 2016, the Company announced that it had repaid Mr Rod Phillips $50,000, representing funds loaned by Mr Phillips to the Company during November 2015.
- On 4 April 2016, the Company announced that it had repaid Mr John Dekker $50,000, representing funds loaned by Mr Dekker to the Company during November 2015.

(v) Reliance on external remuneration consultants

The remuneration committee have not sought any recommendations from external remuneration consultants. Remuneration levels for Directors and KMP are reviewed annually by the Board with the level of Non-Executive Directors' remuneration being set having regard to independent survey data and publicly available information about fees paid to non-executive directors in a range of comparable companies.

(vi) Voting of Shareholders at last year's annual general meeting

The Company received in excess of 25% vote against its remuneration report for the 2015 Financial Year and as such has recorded a first strike in accordance with the *Corporations Act 2001*. The company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

(vii) Remuneration received

The amounts disclosed in the table below as Executive KMP remuneration for the 2016 year reflect the actual benefits received by each KMP during the reporting period. The remuneration values disclosed below have been determined as follows:

Fixed remuneration

Fixed remuneration includes base salaries received, payments made to superannuation funds, the taxable value of non-monetary benefits received and any once-off payments such as sign-on bonuses or termination benefits.

Fixed remuneration excludes any accruals of annual or long service leave.

Short-term incentives

Cash STI benefits represent bonuses awarded and paid during the year. No cash STI's were awarded during the year.

Long-term incentives

Vested LTI benefits represent the intrinsic value of the options at the date of vesting, being the difference between the share price on that date and the exercise price payable by the KMP. No options vested during the year.

The information in this section has been audited, together with the rest of the Remuneration Report.

12. Shares under option

(a) Unissued ordinary shares

At the date of this report there are no unissued ordinary shares of the Company under option.

(b) Insurance of officers

During the financial year, Enerji Ltd paid a premium of $12,710 to insure the directors and secretaries of the company and its Australian-based controlled entities.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the Group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Company. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

13. Proceedings on behalf of the Company

No person has applied to the court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to 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 part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the *Corporations Act 2001*.

14. Non-audit services

The Company may decide to employ the auditor (BDO) on assignments additional to their statutory audit duties where the auditor's experience and expertise with the Company and/or the Group are important.

Details of amounts paid or payable to the auditor for non-audit services provided during the year are set out below.

	2016	2015
	$	$
Independent Experts Report	19,933	-

The Board of Directors is satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

15. Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 19.

This report is made in accordance with a resolution of directors.

Rod Phillips
Director

Perth
17 March 2017

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DECLARATION OF INDEPENDENCE BY JARRAD PRUE TO THE DIRECTORS OF ENERJI LTD (SUBJECT TO DEED OF COMPANY ARRANGEMENT)

As lead auditor of Enerji Ltd (subject to Deed of Company Arrangement) for the year ended 31 December 2016, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Enerji Ltd and the entities it controlled (subject to Deed of Company Arrangement) during the period.

Certain amounts were receivable by BDO Audit (WA) Pty Ltd at the date Enerji Ltd (subject to Deed of Company Arrangement) entered into Administration. These amounts remain unpaid and have not impaired our independence.

Jarrad Prue

Director

BDO Audit (WA) Pty Ltd

Perth, 17 March 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016	2015
Continuing operations		**$**	**$**
Revenue		-	382,000
Gross profit		**-**	**382,000**
Other Income/(expenses)	7	1,065,778	2,373,615
Consultants and advisors	8	(2,208,067)	(2,544,108)
Employment benefits expense	9	(331,221)	(256,026)
General and administration expenses	10	(624,941)	(520,167)
Operating loss		**(2,098,451)**	**(564,686)**
Finance income	11	4,979	38,291
Finance expenses	11	(454,711)	(51,983)
Finance costs- net	11	**(449,732)**	**(13,692)**
Loss before income tax expense benefit		**(2,548,183)**	**(578,378)**
Income tax benefit	12	**-**	**-**
Loss from continuing operations		**(2,548,183)**	**(578,378)**
Other comprehensive loss for the year, net of tax		**-**	**-**
Total comprehensive loss for the year		**(2,548,183)**	**(578,378)**
Loss for the year is attributable to:			
Owners of Enerji Ltd		**(2,548,183)**	**(578,378)**
Total comprehensive loss for the year is attributable to:			
Owners of Enerji Ltd		**(2,548,183)**	**(578,378)**
Loss per share for loss attributable to the ordinary equity holders of the company:			
Basic loss per share	31	**($0.004)**	($0.001)
Diluted loss per share	31	**($0.004)**	($0.001)

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

	Note	2016	2015
ASSETS		**$**	**$**
Current assets			
Cash and cash equivalents	13	250,926	612,117
Trade and other receivables	14	220,700	220,700
Prepayments and other receivables	15	32,412	-
Other current assets	16	-	17,916
Property, plant and equipment	17	11,721	23,275
Intangible assets	18	-	-
Total current assets		**515,759**	**874,008**
Total assets		**515,759**	**874,008**
LIABILITIES			
Current Liabilities			
Trade and other payables	19	5,691,687	4,297,890
Interest bearing loans and borrowings	20	305,679	100,000
Employee benefit liabilities	21	33,523	31,759
Other current liabilities	22	239,315	-
Total current liabilities		**6,270,204**	**4,429,649**
Total liabilities		**6,270,204**	**4,429,649**
Net liabilities		**(5,754,445)**	**(3,555,641)**
SHAREHOLDERS' EQUITY / (DEFICIT)			
Share capital	23(a)	62,214,945	61,834,828
Reserves	23(c)	5,853,602	5,884,340
Retained losses		(73,822,992)	(71,274,809)
Total Shareholders' Equity / (Deficit)		**(5,754,445)**	**(3,555,641)**

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
AS AT 31 DECEMBER 2016

		Attributable to owners of Enerji Ltd			
		Share capital	**Reserves**	**Retained losses**	**Total equity**
		$	**$**	**$**	**$**
At 1 January 2015		**61,063,087**	**5,853,602**	**(70,696,431)**	**(3,779,742)**
Total comprehensive loss for the year					
Loss for the year		-	-	(578,378)	(578,378)
Total comprehensive loss for the year		-	-	(578,378)	(578,378)
Transactions with owners in their capacity as owners					
Contribution of equity, net of transaction costs	23(a)	771,741	-	-	771,741
Equity-based payment transaction – expenses	23(b)	-	30,738	-	30,738
		771,741	30,738	-	802,479
At 31 December 2015		**61,834,828**	**5,884,340**	**(71,274,809)**	**(3,555,641)**
At 1 January 2016		**61,834,828**	**5,884,340**	**(71,274,809)**	**(3,555,641)**
Total comprehensive loss for the year					
Loss for the year		-	-	(2,548,183)	(2,548,183)
Total comprehensive loss for the year		-	-	**(2,548,183)**	**(2,548,183)**
Transactions with owners in their capacity as owners					
Equity-based payment transaction – expenses	23(b)	-	(30,738)	-	(30,738)
Conversion of convertible notes	23(a)	380,117	-	-	380,117
		380,117	(30,738)	-	349,379
At 31 December 2016		**62,214,945**	**5,853,602**	**(73,822,992)**	**(5,754,445)**

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS
AS AT 31 DECEMBER 2016

	Note	2016	2015
Cash flows from operating activities		**$**	**$**
Receipts from customers		60,000	10,000
Payments to suppliers and employees (inclusive of goods and services tax)		(1,743,300)	(2,695,937)
Interest received		4,979	38,291
Interest paid		-	(42,357)
R&D tax refund		899,491	2,429,373
Net cash outflows from operating activities	*30*	**(778,830)**	**(260,630)**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		-	400
Payments for property, plant and equipment		(2,005)	-
Net cash inflows / (outflows) from investing activities		**(2,005)**	**400**
Cash flows from financing activities			
Proceeds from issue of shares and other equity securities		-	821,000
Proceeds from issue of convertible loans		519,644	-
Repayment of convertible notes		-	(90,000)
Proceeds from borrowings		-	350,000
Repayment of borrowings		(100,000)	(750,000)
Payment of transaction costs		-	(49,259)
Net cash inflows from financing activities		**419,644**	**281,741**
Net increase / (decrease) in cash and cash equivalents		**(361,191)**	**21,511**
Cash and cash equivalents at the beginning of the year		612,117	590,606
Cash and cash equivalents at end of the year	*13*	**250,926**	**612,117**

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

1. Reporting entity

Enerji Ltd (the "Company") is a company domiciled in Australia. The address of the Company's registered office is Unit B9, 431 Roberts Rd Subiaco WA 6008. The consolidated financial statements of the Company as at and for the year ended 31 December 2016 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities"). The Group is primarily focused on power generation technology and solutions.

2. Basis of preparation

(a) Statement of compliance

The financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (AASBs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001* as they apply on a non-going concern basis. The consolidated financial statements of the Group comply with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB).

(b) Basis of measurement

On 18 October 2016, Enerji Ltd was placed into administration. The consolidated financial statements for the year ended 31 December 2016 have been prepared on a non-going concern basis. The comparative financial statements for the year ended 31 December 2015 have not been adjusted to reflect the non-going concern basis of preparation.

(c) Functional and presentation currency

These consolidated financial statements are presented in Australian dollars, which is the functional currency of the Company and each of its subsidiaries.

(d) Critical accounting estimates and judgements

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

(e) Changes in accounting policies

Other than as noted below the same accounting policies and methods of computation have been followed in these financial statements as compared with the previous annual financial statements.

(f) Non-going concern

The financial statements have been prepared on the basis that Enerji Ltd and Enerji Holdings Pty Ltd are not going concerns for financial reporting purposes. Under the non-going concern basis of preparation, assets have been measured at their subsequent realisable value. The subsequent realisable value is their value based on the proceeds subsequently received on sale, disposal or realisation as detailed in the accounting policies noted below. Liabilities have generally been measured at their contractual amounts payable, including in default circumstances, where relevant.

The recognition and de-recognition requirement of Australian Accounting Standards have continued to be applied on the preparation of the financial report.

Any gains or losses resulting from measuring assets and liabilities under the going concern basis are recognised in the Consolidated Statement of Profit or Loss.

Enerji Ltd is currently controlled by voluntary administrators and is subject to a Deed of Company Arrangement ("ERJ DOCA"). More detailed information relating to the ERJ DOCA is contained within the Directors Report and the Corporate & Operational Review.

Enerji Holdings Pty Ltd is currently controlled by voluntary administrators and is subject to a Deed of Company Arrangement ("EHPL DOCA"). More detailed information relating to the EHPL DOCA is contained within the Directors Report and the Corporate & Operational Review.

The Group incurred a loss after tax for the year ended 31 December 2016 of $2,548,183 (2015: loss of $578,378), experienced net cash outflows from operating activities of $778,830 (2015: cash outflow of $260,630) and has a net asset deficiency of $5,754,445 (2015: deficiency $3,555,641).

The ability for the Group to continue in existence is dependent on the effectuation of the ERJ DOCA and the EHPL DOCA.

Having regard to the matters set out above the Directors believe that at the date of signing the financial statements, there are reasonable grounds to believe that the Group will be able to successfully complete the proposed ERJ DOCA and EHPL DOCA, and therefore will be able to pay its debts in accordance with the DOCA arrangements as and when they become payable.

(g) Incomplete financial information

This Financial Report has been prepared by Directors who were in office for the entire period presented in this report, however their duties and responsibilities were suspended from the date the Company entered administration. For the period in which the Company was in administration the Directors did not have oversight or control over the group's financial reporting systems, including (but not limited to) being able to obtain access to complete accounting records of the Company. Every reasonable effort has been made by the Directors to ascertain the true position of the Company as at 31 December 2016, however the Directors are of the opinion that it is not possible to state that the audited remuneration disclosures, financial statements and accompanying notes are in accordance with the *Corporations Act 2001*.

3. Significant accounting policies adopted under the non-going concern basis of preparation

The accounting policies set out below have been applied under the non-going concern basis of preparation. Under the non-going concern basis, assets have been measured at their subsequent realisable value. The subsequent realisable value is their value based on the proceeds subsequently recovered on sale, disposal or realisation as detailed in the accounting policies noted below. Liabilities have generally been measured at their contractual amounts, including in default circumstances where relevant.

(a) Basis of consolidation

(i) Business combinations

The acquisition method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree, either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

Contingent liabilities

A contingent liability of the acquiree is assumed in a business combination only if such a liability represents a present obligation and arises from a past event, and its fair value can be measured reliably.

Transaction costs

Transaction costs that the Group incurs in connection with a business combination, such as finder's fees, legal fees, due diligence fees, and other professional and consulting fees, are expensed as incurred.

(ii) Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group. In the Company's financial statements, investments in subsidiaries are carried at cost.

(iii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

(b) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollar ($) which is Enerji Limited's functional and presentational currency.

(ii) *Transactions and balances*

Foreign currency transactions are translated in the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss. They are deferred in equity if they relate to qualifying cashflow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss, within finance costs. All other foreign exchange gains and losses are presented in the statement of profit or loss on a net basis within other income or other expenses.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as available-for-sale financial assets are recognised in other comprehensive income.

(c) Financial instruments

(i) Non-derivative financial assets

The Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group has the following non-derivative financial assets.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses. Loans and receivables comprise trade and other receivables.

(ii) Non-derivative financial liabilities

The Group recognises financial liabilities (including liabilities designated at fair value through profit or loss) initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument. The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group has non-derivative financial liabilities comprising trade and other payables and loans, which are recognised initially at fair value and subsequently at amortised cost. Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group has an obligation to make future payments in respect of the purchase of these goods and services.

(iii) Derivatives and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument and if so, the nature of the item being hedged. The group designates certain derivatives as either:

- Hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges)
- Hedges of a particular risk associated with the cash flows of recognised asset and liabilities and highly probable forecast transactions (cash flow hedges), or
- Hedges of a net investment in a foreign operation (net investment hedges).

The group documents at the inception of the hedging transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The fair values of various derivative financial instruments used for hedging purposes are disclosed in Note 34.

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in profit or loss and are included in other income or other expenses.

(iv) Convertible note liability

Convertible notes issued by the Group comprise convertible notes that can be converted to share capital at the option of the holder and a convertible note derivative whose fair value changes with the Company's underlying share price.

The liability component of a convertible note is recognised initially at the fair value of a similar liability that does not have an equity conversion option. Any directly attributable transaction costs are allocated to the convertible note liability. Subsequent to initial recognition, the liability component of the convertible note is measured at amortised cost using the effective interest method.

The convertible note liability is removed from the statement of financial position when the obligations specified in the contract are discharged. This can occur upon the option holder exercising their option or the option period lapses requiring the company to discharge the obligation.

On initial recognition, the fair value of the convertible note will equate to the proceeds received and subsequently the liability is measured at fair value at each reporting date until settlement. The fair value movements are recognised on the Consolidated Statement of Profit or Loss as financial costs.

(d) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

(e) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

(f) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located and capitalised borrowing costs. Cost also may include transfers from other comprehensive income of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within other income in profit or loss.

(ii) Subsequent costs

The cost of replacing a part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

The estimated useful lives for the current and comparative periods are as follows:

- Plant and equipment (Construction in progress assets and fittings and equipment) 5 years
- Computers (Office furniture, fittings and equipment) 4 years
- Fixtures and fittings (Construction in progress assets) 10 years
- Major components (Construction in progress assets) 10 - 15 years.

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

(g) Leases

Operating lease payments are recognised as an operating expense in the statement of profit or loss and other comprehensive income on a straight-line basis over the lease term.

(h) Intangible assets

(i) Goodwill

Goodwill is measured at cost less accumulated impairment losses.

(ii) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in profit or loss as incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalised includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use, and capitalised borrowing costs. Other development expenditure is recognised in profit or loss as incurred.

Capitalised development expenditure is measured at cost less accumulated amortisation and accumulated impairment losses.

(iii) Amortisation

Amortisation is recognised in the profit and loss on a straight-line basis over the estimated useful lives of the intangible assets from the date they are available for use unless such lives are indefinite. Goodwill and intangible assets with an indefinite useful life are not amortised but are systematically tested for impairment annually.

(iv) Distribution rights

Costs associated with the initial acquisition of Enerji Holdings Pty Ltd (formerly Jamalcom Pty Ltd), the holder of the distribution rights for Opcon Powerboxes in Australia were capitalised as intangible assets. The directors review the carrying value of the Distribution Rights to ensure the carrying value does not exceed their recoverable amount and if an impairment in value arises, the intangible asset is written down.

(i) Leased assets

Leases under the terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and are not recognised as assets in the Group's statement of financial position.

(j) Impairment

(i) Financial assets (including receivables)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

The Group considers evidence of impairment for receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified.

In assessing the collective impairment, the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

The Group's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(k) Employee benefits

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the Statement of Financial Position.

(ii) Other long-term employee benefits obligations

The liabilities for long service leave and annual leave are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They are therefore measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period of government bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows. Re-measurements as a result of experience adjustments and changes in actuarial assumptions are recognised in profit or loss.

The obligations are presented as current liabilities in the Statement of Financial Position if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting period, regardless of when the actual settlement is expected to occur.

(iii) Termination benefits

Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Group has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting period, then they are discounted to their present value.

(iv) Share-based payment transactions

The grant date fair value of share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity.

Share-based payment arrangements in which the Group receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions, regardless of how the equity instruments are obtained by the Group.

(l) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation the amount of which at can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

(m) Finance income and finance costs

Finance income comprises interest income on funds invested. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense on borrowings and convertible notes, unwinding of the discount on provisions, and impairment losses recognised on financial assets. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis.

(n) Income tax

Income tax expense comprises current and deferred tax. Current and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and associates and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income tax expenses that arise from the distribution of cash dividends are recognised at the same time that the liability to pay the related dividend is recognised. The Group does not distribute non-cash assets as dividends to its shareholders.

As per Note 7, the R&D tax offset refund in recognised in the consolidated statement of profit or loss and other comprehensive income in the period it is received as other income.

(o) Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(p) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding adjusted for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

(q) Segment reporting

The Group determines and presents operating segments based on the information that internally is provided to the Board of Directors of Enerji Ltd, who are the Group’s chief operating decision makers.

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group’s other components.

The Group is organised into one operating segment. These operating segments are based on the internal reports that are reviewed and used by the Board of Directors in assessing performance and in determining the allocation of resources.

(r) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

The group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the group’s activities. The group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue recognition for finance income is explained in Note 3 (m).

(s) New and amended standards adopted by the Group

New Standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 January 2016 have not affected the amounts recognised in the current period or any prior period and are not likely to affect future periods.

Accounting Standards Issued Not yet Effective

The following new/amended accounting standards and interpretations have been issued, but are not mandatory for financial year ended 31 December 2016. They have not been adopted in preparing the financial statements for the year ended 31 December 2016 and are expected to impact the entity in the period of initial application. In all cases the entity intends to apply these standards from application date as indicated in the table below.

Standards Likely to Have a Financial Impact

Reference	Title	Summary	Application date
AASB 9	Financial Instruments	AASB 9 (December 2014) is a new standard which replaces AASB 139. This new version supersedes AASB 9 issued in December 2009 (as amended) and AASB 9 (issued in December 2010) and includes a model for classification and measurement, a single forward-looking ‘expected loss’ impairment model and a substantially-reformed approach to hedge accounting. AASB 9 is effective for annual periods beginning on or after 1 January 2018, however the Standard is available for early adoption. The own credit changes can be early adopted in isolation without otherwise changing the accounting for financial instruments. **Classification and measurement** AASB 9 includes requirements for a simpler approach for classification and measurement of financial assets compared with the requirements of AASB 139. There are also some changes made in relation to financial liabilities. The main changes are described below. **Financial assets** (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 and 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. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument. (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. **Financial liabilities** Changes introduced by AASB 9 in respect of financial liabilities are limited to the measurement of liabilities designated at fair value through profit or loss (FVPL) using the fair value option. Where the fair value option is used for financial liabilities, the change in fair value is to be accounted for as follows: ▪ The change attributable to changes in credit risk are presented in other comprehensive income (OCI) ▪ The remaining change is presented in profit or loss AASB 9 also removes the volatility in profit or loss that was caused by changes in the credit risk of liabilities elected to be measured at fair value. This change in accounting means that gains or losses attributable to changes in the entity’s own credit risk would be recognised in OCI. These amounts recognised in OCI are not recycled to profit or loss if the liability is ever repurchased at a discount. **Impairment** The final version of AASB 9 introduces a new expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, the new Standard requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a more-timely basis.	1 January 2018

Reference	Title	Summary	Application date
		Hedge accounting Amendments to AASB 9 (December 2009 & 2010 editions and AASB 2013-9) issued in December 2013 included the new hedge accounting requirements, including changes to hedge effectiveness testing, treatment of hedging costs, risk components that can be hedged and disclosures. Consequential amendments were also made to other standards as a result of AASB 9, introduced by AASB 2009-11 and superseded by AASB 2010-7, AASB 2010-10 and AASB 2014-1 – Part E. AASB 2014-7 incorporates the consequential amendments arising from the issuance of AASB 9 in December 2014. AASB 2014-8 limits the application of the existing versions of AASB 9 ((AASB 9 (December 2009) and AASB 9 (December 2010)) from 1 February 2015 and applies to annual reporting periods beginning on or after 1 January 2015.	
AASB 15	Revenue from Contracts with Customers	AASB 15 *Revenue from Contracts with Customers* replaces the existing revenue recognition standards AASB 111 *Construction Contracts*, AASB 118 Revenue and related Interpretations (Interpretation 13 *Customer Loyalty Programmes*, Interpretation 15 *Agreements for the Construction of Real Estate*, Interpretation 18 T*ransfers of Assets from Customers*, Interpretation 131 R*evenue – Barter Transactions Involving Advertising Services* and Interpretation 1042 *Subscriber Acquisition Costs in the Telecommunications Industry*). AASB 15 incorporates the requirements of IFRS 15 *Revenue from Contracts* with Customers issued by the International Accounting Standards Board (IASB) and developed jointly with the US Financial Accounting Standards Board (FASB). AASB 15 specifies the accounting treatment for revenue arising from contracts with customers (except for contracts within the scope of other accounting standards such as leases or financial instruments). The core principle of AASB 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps: (a) Step 1: Identify the contracts(s) with a customer (b) Step 2: Identify the performance obligations in the contract (c) Step 3: Determine the transaction price (d) Step 4: Allocate the transaction price to the performance obligations in the contract (e) Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation AASB 2015-8 amended the AASB 15 effective date so it is no effective for annual reporting periods commencing on or after 1 January 2018. Early application is permitted. AASB 2014-5 incorporates the consequential amendments to a number of Australian Accounting Standards (including Interpretations) arising from the issuance of AASB 15. AASB 2016-3 Amendments to Australian Accounting Standards – Clarifications to AASB 15 amends AASB 15 to clarify the requirements on identifying performance obligations, principal versus agent considerations and the timing of recognising revenue for granting a licence and provides further practical expedients on transition to AASB 15.	1 January 2018
AASB 16	Leases	The key features of AASB 16 are as follows: **<u>Lessee accounting</u>** ▪ Lessees are required to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is low value. ▪ Assets and liabilities arising from a lease are initially measured on a present value basis. The measurement includes non-cancellable lease payments (including	1 January 2019.

Reference	Title	Summary	Application date
		▪ inflation-linked payments), and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. ▪ AASB 16 contains disclosure requirements for lessees. **Lessor accounting** ▪ AASB16 substantially carries forward the lessor accounting requirements in AASB 117. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. ▪ AASB 16 also requires enhanced disclosures to be provided by lessors that will improve information disclosed about a lessor's risk exposure, particularly to residual value risk. AASB 16 supersedes: (a) AASB 117 Leases (b) Interpretation 4 *Determining whether an Arrangement contains a Lease* (c) SIC-15 *Operating Leases – Incentives* (d) SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form or a Lease* The new standard will be effective for annual periods beginning on or after 1 January 2019. Early application is permitted, provided the new revenue standard, AASB 15 *Revenue from Contracts with Customers*, has been applied, or is applied at the same date as AASB 16.	

The Group has decided not to early adopt any of the new and amended pronouncements. The impact of the abovementioned standards and pronouncements is yet to be determined.

There are no other standards that are not yet effective and that would be expected to have material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

4. Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Share-based payment transactions

The fair value of options issued as share-based payment are measured using an appropriate pricing model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds).

The fair value of shares issued as share-based payment is measured based on the share price on the date of issue.

5. Financial risk management

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Executives are responsible for developing and monitoring risk management policies and report regularly to the Board of Directors on their activities. Details of credit risk, liquidity risk, currency risk, interest rate risk and capital management are disclosed in Note 33 to the financial statements.

6. Segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of Enerji Ltd. The Group has determined that it has one operating segment.

7. Other income/(expenses)

	2016	2015
Profit and loss on sale of assets	(9,579)	(2,188)
Unrealised FX gains/losses	115,866	(76,547)
Research and development tax incentive rebate (a)	899,491	2,429,373
Settlement of convertible notes	-	23,838
Other income	60,000	(861)
	1,065,778	**2,373,615**

(a) Research and development tax incentive rebate		
Write-back of tax effect on tax treatment of impairment	-	-
Receipt of a R&D tax rebate	899,491	2,429,373
Total income tax benefit	**899,491**	**2,429,373**
Attributable to:		
Continuing operations	899,491	2,429,373
	899,491	**2,429,373**

Under the R&D tax incentive legislation, small companies can claim an R&D tax offset, under section 355-100 of the *Income Tax Assessment Act 1997* (ITAA97), that is, a refundable tax offset, equivalent to the value of certain deductions available under the R&D tax incentive. For the 2015 year, total eligible R&D expenditure was $1,998,868 (2014: $5,610,077) therefore R&D tax offset refund entitlement received for 2015 @ 45% was $899,491 (2014: $2,429,373).

8. Consultants and advisors

	2016	2015
Accounting and finance	73,861	74,151
Advertising and marketing	83,265	16,246
Consultants and contractors	1,136,405	2,071,407
Listing expenses	365,466	250,915
Legal expenses	222,113	131,389
Administrator expenses	300,737	-
Other	26,220	-
	2,208,067	**2,544,108**

9. Employee benefit expense

	2016	2015
Salary and wages	343,879	208,309
Superannuation	14,353	9,995
Other	(27,011)	37,722
	331,221	**256,026**

10. General and administration expenses

	2016	2015
Occupancy costs	36,317	43,154
Insurance	12,412	36,663
IT expenses	17,861	17,434
Travel and accommodation	57,263	41,112
Depreciation and amortisation	3,981	5,404
Other	497,107	376,400
	624,941	**520,167**

11. Finance costs – net

	2016	2015
Interest income	4,979	38,291
Total finance income	**4,979**	**38,291**
Interest expense	374,575	28,108
Bank charges	114	9,625
Establishment fees	51,964	14,250
FX gains/losses from borrowings	28,058	-
Total finance expenses	**454,711**	**51,983**
Finance costs- net	**(449,732)**	**(13,692)**

12. Income tax benefit

(a) Income tax benefit

	2016	2015
Deferred tax credit arising from temporary differences	-	-
Total income tax benefit	**-**	**-**
Attributable to:		
Continuing operations	-	-
	-	**-**

(b) Numerical reconciliation of income tax expense to prima facie tax payable

	2016	2015
Loss from continuing operations before income tax expense	(2,548,183)	(578,378)
Tax at the Australian tax rate of 30% (2015 – 30%)	**764,455**	**173,513**
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
• Non-deductible expenses	-	-
• Deferred tax assets not brought to account	(764,455)	(173,513)
Income tax benefit	**-**	**-**

The franking account balance at year-end was $nil (2015: $nil).

Net deferred tax assets have not been brought to account as it is not probable within the immediate future that tax profits will be available against which deductible temporary differences and tax losses can be utilised.

(c) Tax losses

Unused tax losses for which no deferred tax asset has been recognised	18,888,197	16,280,015
Potential tax benefit @ 30%	**5,666,459**	**4,884,005**

All unused tax losses were incurred by Australian entities.

Unrecognised deferred tax balances will only be available subject to continuing to meet the relevant statutory tests.

13. Cash and cash equivalents

	2016	2015
Cash at bank	250,926	611,765
Cash advances	-	352
	250,926	**612,117**

14. Trade and other receivables

	2016	2015
Accounts receivable	409,200	409,200
Provision for doubtful debts	(409,200)	(409,200)
Bank guarantee	220,000	220,000
Other debtors	700	700
	220,700	**220,700**

Fair value and credit risk

The fair value of securities held for certain trade receivables is insignificant as it is the fair value of any collateral sold or re-pledged. Refer to Note 33 for more information on the risk management policy of the Group and the credit quality of the entity's trade receivables.

Impaired receivables and receivables past due

None of the current receivables are impaired.

Bank Guarantee

The Company issued a bank guarantee of AUD $220,000 in favour of Horizon Power to cover its commitments related to the use of Horizon Powers Carnarvon Power station for pilot plant trials of the Companies ATEN products during 2012 and the subsequent use of Horizon Powers site for storage of the Companies major items of plant and equipment, until such time as they are able to be redeployed.

Horizon Power has submitted a proof of debt to the EHPL Administrators for $216,716. It is anticipated that the Bank Guarantee will be called by Horizon Power in due course.

15. Prepayments and other receivables

	2016	2015
Prepaid insurance	12,412	-
Other prepayments	20,000	-
	32,412	**-**

16. Other current assets

	2016	2015
Tax receivable	-	17,916
	-	**17,916**

17. Property, plant and equipment

	Construction in progress	Office furniture, fittings and equipment	Total
Year ended 31 December 2015			
Opening net book amount	-	31,267	31,267
Additions	-	-	-
Disposals	-	(2,588)	(2,588)
Impairment charge	-	-	-
Depreciation charge	-	(5,404)	(5,404)
Net book amount at 31 December 2015	**-**	**23,275**	**23,275**
At 31 December 2015			
Cost or fair value	6,476,571	90,969	6,567,540
Accumulated depreciation	-	(67,694)	(67,694)
Impairment of assets	(6,476,571)	-	(6,476,571)
Net book amount	**-**	**23,275**	**23,275**

	Construction in progress	Office furniture, fittings and equipment	Total
Year ended 31 December 2016			
Opening net book amount	-	23,275	23,275
Additions	-	2,005	2,005
Disposals	-	(9,579)	(9,579)
Impairment charge	-	-	-
Depreciation charge	-	(3,980)	(3,980)
Net book amount at 31 December 2016	**-**	**11,721**	**11,721**
At 31 December 2016			
Cost or fair value	6,476,571	81,123	6,557,694
Accumulated depreciation	-	(69,402)	(69,402)
Impairment of assets	(6,476,571)	-	(6,476,571)
Net book amount	**-**	**11,721**	**11,721**

18. Intangible assets

	Distribution rights
Year ended 31 December 2015	
Opening net book amount	-
Amortisation charge	-
Closing net book amount	**-**
At 31 December 2015	
Cost	8,340,284
Impairment of asset - 2010	(3,340,284)
Accumulated amortisation and impairment	(5,000,000)
Net book amount	**-**

	Distribution rights
Year ended 31 December 2016	
Opening net book amount	-
Amortisation charge	-
Closing net book amount	**-**
At 31 December 2016	
Cost	8,340,284
Impairment of asset - 2010	(3,340,284)
Accumulated amortisation and impairment	(5,000,000)
Net book amount	**-**

Intangible assets comprise distribution rights associated with the purchase of Enerji Holdings Pty Ltd (formerly Jamalcom Pty Ltd) with a carrying value of NIL.

19. Trade and other payables

	2016	2015
Trade payables - Opcon AB	2,198,730	2,372,224
Trade payables - other	1,719,716	1,543,802
Accrued expenses	1,789,513	374,248
GST	(94,302)	(60,467)
PAYG	1,431	4,663
Sundry creditors	76,599	63,420
	5,691,687	**4,297,890**

Trade payables have been recognised in accordance with information made available, including proof of debt claims submitted to the ERJ Administrators and EHPL Administrators. The respective creditors trustees of Enerji Ltd and Enerji Holdings Pty Ltd will adjudicate on the proof of debt claims in due course.

20. Interest bearing loans and borrowings

	2016	2015
Convertible notes- unsecured	305,679	-
Directors loans- unsecured	-	100,000
	305,679	**100,000**

Convertible notes - unsecured

On 29 March 2016 the Company entered into a USD$400,000 convertible loan facility with Magna Equities II LLC (Magna). The Facility has a term of 12 months and is interest free. The Facility has a 10% establishment fee (USD$40,000), which has been capitalised into the principal outstanding.

Under the terms of the Loan Agreement and Subscription Agreement under the Facility, Magna has the right to subscribe for Enerji shares at a price equal to the lesser of:

i. a 20% discount to the lowest volume weighted average price (VWAP) in the five days prior to subscription; or

ii. a fixed price of $A0.035.

The opening AUD value of the facility was recorded at $519,644, plus an establishment fee of $51,964 was recorded as an unsecured convertible note to Magna for the year. During the period to 31 December 2016 Magna subscribed for 20,402,704 shares with a fair value of $380,117 (see Note 23(a)) which included a reduction in loan liability of $293,987 and finance costs of $86,130. At 31 December 2016 USD$220,000 (including establishment fee) remained outstanding and an unrealised loss on this liability of $28,057 has been recorded in the Consolidated Statement of Profit and Loss.

As a result of the nature of the Loan Agreement and Subscription Agreement, an embedded derivative exists. See Note 33 for further information. On the basis that the Group is not a going concern and the shares are currently not trading, the value of the embedded derivative is zero. The liability component of the note is recognised at fair value. As this loan is interest free, it does not need to be revalued at amortised cost using the effective interest rate method.

Related party loans - unsecured

The balance at 31 December 2015 related to two separate loans from Directors for $50,000 each. See Note 27 for further information.

21. Employee benefit liabilities

	2016	2015
FBT	(4,872)	(1,926)
Superannuation	35,178	33,685
Salary sacrifice	3,217	-
	33,523	**31,759**

22. Other current liabilities

	2016	2015
Non-bank loans	100,000	-
Convertible loan - default penalties and fees	45,315	-
Ames Associates - contribution to voluntary administration	94,000	-
	239,315	**-**

Non-Bank Loans - unsecured

The balance at 31 December 2016 relates to the following:

- A $100,000 deposit was made by ECM with respect to the Deed of Company Arrangement for Enerji Ltd on or around 21 December 2016. The deposit is a non-refundable deposit.

23. Equity

(a) Contributed equity

	No. of Shares		$	
	2016	**2015**	**2016**	**2015**
Share Capital				
Fully paid ordinary shares	594,533,558	574,130,854	62,214,945	61,834,828

Movements in ordinary shares

	No. of shares	$
Details		
Opening balance 1 January 2015	550,673,677	61,063,087
Shares issued for cash	23,457,177	821,000
Less: transaction costs arising on share issues	-	(49,259)
Balance 31 December 2015	**574,130,854**	**61,834,828**
Shares issued on conversion of notes	20,402,704	380,117
Balance 31 December 2016	**594,533,588**	**62,214,945**

Ordinary shares

The Company does not have authorised capital or par value in respect of its issued shares. All issued shares are fully paid. The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

Capital Management

The Company's capital management policy provides a framework to maintain a capital structure to support the development of the business into one that is income producing. Refer to Note 33.

The Company seeks to utilise available borrowing facilities when and to the extent prudent to do so, in order to maximise returns for equity shareholders and limit the need to raise additional equity capital.

Dividends

There were no dividends declared or paid during the reporting period.

(b) Other equity

Options

	No. of Options		$	
	2016	**2015**	**2016**	**2015**
$0.30 Expiry 30 June 2015	-	-	838,364	838,364
$2.00 Expiry 31 December 2016	-	6,473,904	1,545,238	1,545,238
$0.25 Expiry 2 September 2017	-	7,500,000	-	6,199
	-	**13,973,904**	**2,383,602**	**2,389,801**

Performance Rights

	No. of Performance Rights		$	
	2016	**2015**	**2016**	**2015**
Expiry 2 September 2017	-	17,500,000	-	24,539

Movements in other equity

	No. of Options	$
$0.30 Options expiry 30 June 2015		
Opening balance 1 January 2015	133,147,686	838,364
Options expired	(133,147,686)	-
Balance 31 December 2015	**-**	**838,364**
Options expired	-	-
Balance 31 December 2016	**-**	**838,364**

	No. of Options	$
$2.00 Options expiry 31 December 2016		
Opening balance 1 January 2015	6,473,904	1,545,238
Options expired	-	-
Balance 31 December 2015	**6,473,904**	**1,545,238**
Options expired	(6,473,904)	-
Balance 31 December 2016	**-**	**1,545,238**

	No. of Options	$
$0.25 Options expiry 2 September 2017		
Opening balance 1 January 2015	-	-
Options issued for services rendered	7,500,000	6,199
Balance 31 December 2015	**7,500,000**	**6,199**
Options forfeited during the year [2]	(7,500,000)	(6,199)
Balance 31 December 2016	**-**	**-**

	No. of Performance Rights	$
Performance Rights expiry 2 September 2017		
Opening balance 1 January 2015	-	-
Rights issued for services rendered	17,500,000	24,539
Balance 31 December 2015	**17,500,000**	**24,539**
Rights forfeited during the year [3]	(17,500,000)	(24,539)
Balance 31 December 2016	**-**	**-**

(c) Reserves

	2016 $	2015 $
Share based reserves - Reserve holding shares subject to the achievement of performance based measures	3,470,000	3,494,539
Options based reserves	2,383,602	2,389,801
	5,853,602	**5,884,340**

Notes:

1. The 31 December 2016 options expired out of the money.

2. The following options exercisable at $0.25 were forfeited on 1 August 2016 as a result of the termination of Mr Andrew Vlahov's executive services agreement.
   - Tranche 1 – 2,500,000 - $0.30
   - Tranche 2 – 2,500,000 - $0.40
   - Tranche 3 – 2,500,000 - $0.50
3. The following performance rights were forfeited on 1 August 2016 as a result of the termination of Mr Andrew Vlahov's executive services agreement.
   - Tranche 1 – 5,000,000 - $0.10
   - Tranche 2 – 5,000,000 - $0.20
   - Tranche 3 – 2,500,000 - $0.30
   - Tranche 4 – 2,500,000 - $0.40
   - Tranche 5 – 2,500,000 - $0.50

Nature and purpose of other reserves

The issue of options in lieu of cash are considered share based payments.

Under the employee share scheme the provision of an interest free Company loan results in an embedded option and the implied interest is included as a share based payment.

24. Remuneration of auditors

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	2016	**2015**
BDO	**$**	**$**
Audit and review of financial statements	61,300	48,500
Independent Experts Report	19,933	-
Total remuneration for audit and other assurance services	81,233	48,500
Total remuneration of BDO	**81,233**	**48,500**

25. Contingencies

Deed of Company Arrangement – Enerji Ltd ("ERJ DOCA")

All parties having a claim against Enerji Ltd will receive a distribution from the Creditors' Trust, with the exception of any excluded claims. All claims of creditors against the Company will be extinguished in the ERJ DOCA and substituted for the rights of the beneficiaries under the Creditors Trust.

Excluded claims refer to any debt payable to or claim which either ECM (with respect to the provision of the DOCA Loan) or Opcon Energy Systems AB has against the Company.

More detailed information relating to the ERJ DOCA is contained within the Directors Report and the Corporate & Operational Review.

Deed of Company Arrangement – Enerji Holdings Pty Ltd ("EHPL DOCA")

All Creditors having a claim against Enerji Holdings Pty Ltd will receive a distribution. The distribution will be full and final satisfaction and complete discharge of all claims which they have, or claim to have against Enerji Holdings Pty Ltd.

Effectuation of the EHPL DOCA will ensure all material uncertainty with respect to contingent claims are extinguished.

More detailed information relating to the EHPL DOCA is contained within the Directors Report and the Corporate & Operational Review.

26. Commitments

(a) Lease commitments

The Company's premises in Subiaco were leased under a sublease agreement with a rolling 3-month term which commenced on 16 June 2015. This lease was terminated by mutual agreement on 30 September 2016. Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

	2016	2015
	$	$
Within one year	-	7,500
Later than one year but not later than five years	-	-
	-	7,500

(b) Bank Guarantees

Pursuant to the Deed of Release from the previous power purchase agreement with Horizon Power a bank guarantee was required. A cash-backed bank guarantee was provided as security, resulting in $220,000 being deposited with ANZ against the guarantee.

Horizon Power submitted a proof of debt claim to the EHPL Administrator for a value of at least $216,716 ("Horizon Claim"). The Horizon Claim has been accounted for in this Financial Report.

(c) Other

All other financial commitments (including distribution agreements) of Enerji Ltd and Enerji Holdings Pty Ltd are now subject to the ERJ DOCA and EHPL DOCA. Effectuation of the ERJ DOCA and EHPL DOCA will extinguish any and all claims which they have, or claim to have against Enerji Ltd and Enerji Holdings Pty Ltd.

27. Related party transactions

(a) Key management personnel compensation

	2016	2015
	$	$
Short-term employee benefits	557,574	468,040
Post-employment benefits	4,274	7,122
Termination benefits	85,000	-
Share based payments	(30,738)	30,738
	616,110	**505,900**

Detailed remuneration disclosures are provided in the remuneration report.

(b) Transactions with other related parties

The following transactions occurred with related parties:

	2016	2015
	$	$
Sales and purchases of goods and services		
Purchase of investor relations services	110,806	105,000
	110,806	**105,000**

Mr Peter Avery receives fees of $10,000 per month for the provision of Investor Relations services. These services are provided on normal commercial terms. The total amount invoiced by Mr Avery for these services in the period is $110,806. The total amount paid for these services in the period is $50,000.

(c) Loans to/from related parties

		2016	2015
		$	$
Beginning of the year		100,000	-
Loans advanced		-	100,000
Loan repayments received		(100,000)	-
Interest charged		-	-
Interest received		-	-
End of year	20	**-**	**100,000**

In December 2015 Mr Rod Phillips and Mr John Dekker each loaned $50,000 to the Company. These loans had no set repayment date and no interest payable.

On 4 April 2016, the Company announced that it had repaid Mr Rod Phillips $50,000, representing funds loaned by Mr Phillips to the Company during November 2015.

On 4 April 2016, the Company announced that it had repaid Mr John Dekker $50,000, representing funds loaned by Mr Dekker to the Company during November 2015.

28. Subsidiaries and transactions with non-controlling interests

Significant investments in subsidiaries during the year ended 31 December 2016 are set out below:

Name of entity	Country of incorporation	Class of shares	Equity holding 2016	2015
			%	%
ATEN Operations Pty Ltd	Australia	Ordinary	100	100
Enerji Holdings Pty Ltd (formerly Jamalcom Pty Ltd)	Australia	Ordinary	100	100
Enerji Research Pty Ltd (formerly Letharji Pty Ltd)	Australia	Ordinary	100	100
Enerji PE Management Pty Ltd (formerly Cogen Power Pty Ltd)	Australia	Ordinary	100	100
Enerji GMRL SPV Pty Ltd	Australia	Ordinary	100	100

29. Events occurring after the reporting period

The following events have occurred subsequent to the reporting period ending.

- On 9 January 2017, Enerji Holdings entered into a deed of company arrangement with the EHPL Administrators and ECM.
- A more detailed summary of the EHPL DOCA is outlined in the Corporate and Operational Review.
- The Company and ECM have been working with the ERJ Administrators and the EHPL Administrators to ensure all conditions are met with respect to the ERJ DOCA and EHPL DOCA.

No other matter or circumstance has arisen since 31 December 2016 that has significantly affected the group's operations, results or state of affairs, or may do so in future years.

30. Reconciliation of loss after income tax to net cash inflow from operating activities

	2016	2015
	$	$
Loss for the period	(2,548,183)	(578,378)
Adjustments for:		
Depreciation and amortisation	3,980	5,404
Net (gain)/loss on sale of non-current assets	9,579	2,188
Finance expense / (income)	426,540	(31,625)
Net exchange differences	(87,808)	76,547
Share-based payment transactions	(30,738)	30,738
Changes in operating assets and liabilities, net of effects from purchases of controlled entity:		
(Increase)/decrease in trade & other receivables	-	218,930
(Increase)/decrease in prepayments	(32,412)	-
(Decrease)/Increase in trade & other payables	1,300,367	18,553
(Decrease)/Increase in employee benefit liability	1,764	(2,987)
(Decrease)/Increase in GST	(33,835)	-
(Decrease)/Increase in other current liabilities	194,000	-
(Decrease)/Increase in provision for income tax	17,916	-
Net cash outflow from operating activities	**(778,830)**	**(260,630)**

31. Loss per share

	2016	2015
	$	$
Basic loss per share	(0.004)	(0.001)
Diluted loss per share	(0.004)	(0.001)

(a) *Reconciliation of loss used in calculating loss per share*
Loss attributable to the ordinary equity holders of the company used in calculating basic loss per share

	2016	2015
	$	$
From continuing operations	(2,548,183)	(578,378)
From discontinued operations	-	-
	(2,548,183)	**(578,378)**

Diluted loss per share		
Loss from continuing operations attributable to the ordinary equity holders of the company	(2,548,183)	(578,378)
Add: interest savings on convertible notes	-	-
Used in calculating diluted loss per share	**(2,548,183)**	**(578,378)**
Profit from discontinued operations	-	-
Loss attributable to the ordinary equity holders of the company used in calculating diluted loss per share	**(2,548,183)**	**(578,378)**

(b) Weighted average number of shares used as the denominator

	2016 No. of Shares	2015 No. of Shares
Weighted average number of ordinary shares used as denominator for calculating basic loss per share	574,277,437	550,707,418
Adjustments for calculation of diluted loss per share:		
Options	-	-
Convertible notes	-	-
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted loss per share	574,277,437	550,707,418

The calculation of basic loss per share for the year ended 31 December 2016 is based on the loss attributable to ordinary shareholders of $2,548,183 (2015: $578,378) and a weighted number of ordinary shares outstanding of 574,277,437 (2015: 550,707,418).

There are no instruments on issue that are considered dilutive for calculating dilutive earnings per share.

32. Share-based payments

(a) Employee share scheme

A scheme under which shares may be issued by the Company to employees with an interest free loan for the purchase price of the shares was approved by shareholders at a general meeting on 1 December 2009.

Under the scheme, no invitations to participate in the plan were issued during the year ended 31 December 2016.

(b) Other share-based payments

No share-based payments were made during the year.

The number of Performance rights in the Company held during the financial year by each director and other member of key management personnel of the Company, including their personally related parties is as set out below:

Deferred shares									
Name	**Vested and exercisable**	**Unvested**	**Granted as compensation**	**Exercised**	**Forfeited**	**Other changes**	**Balance at the end of the year**	**Vested and exercisable**	**Unvested**
Non-executive directors									
Rod Phillips	-	-	-	-	-	-	-	-	-
John Dekker	-	-	-	-	-	-	-	-	-
Peter Avery	-	-	-	-	-	-	-	-	-
Executive KMP									
Adam Boyd	-	-	-	-	-	-	-	-	-
Andrew Vlahov	-	17,500,000	-	-	(17,500,000)	-	-	-	-
Stephen Jones	-	-	-	-		-	-	-	-

The number of Options over ordinary shares in the Company held during the financial year by each director and other member of key management personnel of the Company, including their personally related parties is as set out below:

Options									
Name	**Vested and exercisable**	**Unvested**	**Granted as compensation**	**Exercised**	**Forfeited**	**Other changes** [1]	**Balance at the end of the year**	**Vested and exercisable**	**Unvested**
Non-executive directors									
Rod Phillips	-	-	-	-	-	-	-	-	-
John Dekker	22,500	-	-	-	-	(22,500)	-	-	-
Peter Avery	65,000	-	-	-	-	(65,000)	-	-	-
Executive KMP									
Adam Boyd	-	-	-	-	-	-	-	-	-
Andrew Vlahov	-	7,500,000	-	-	(7,500,000)	-	-	-	-
Stephen Jones	-	-	-	-		-	-	-	-

[1] Other changes relate to $2.00 options which expired on 31 December 2016.

(c) Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expense were as follows:

	Note	**2016** $	**2015** $
Expense arising from equity-settled share based payment transaction		54,616	30,738
Effective put option included in employee share scheme		-	-
Reversal of previously expensed share based payment transaction		(85,354)	-
Total expense arising from share-based payment transactions	23(b)	**(30,738)**	**30,738**

33. Financial instruments

Financial risk management policies

The Group financial instruments consist mainly of deposits with banks, accounts receivables and payable and domestic loans.

The Board of Directors analyse financial risk exposure at Board Meetings to evaluate treasury management strategies in the context of the most recent economic conditions and forecasts.

The Board's overall risk management strategy seeks to assist the Group in meeting its financial targets, whilst minimizing potential adverse effects on financial performance.

(a) Market Risk

(i) Foreign exchange risk

At present, the Group has no foreign currency hedges in respect of forecast sales and purchases. The Group also has no hedges in place for its trade receivables and trade payables denominated in a foreign currency.

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Euro (EUR), the Swedish Krona (SEK) and the United States Dollar (USD).

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

Management has set up a policy that all transactions in foreign currencies be transacted at spot. Management will continually review this policy based on volumes of foreign currency required.

The Group's exposure to foreign currency risk at the end of the reporting period, expressed in Australian dollars, was as follows:

	31 December 2016			31 December 2015		
	USD	**EUR**	**SEK**	**USD**	**EUR**	**SEK**
Trade payables- Airec AB	-	45,697	-	-	46,775	-
Trade payables- Opcon AB	-	-	2,243,231	-	-	2,372,224
Convertible Notes- Magna	305,679	-	-	-	-	-

Amounts recognised in profit or loss and other comprehensive income

During the year, the following foreign-exchange related amounts were recognised in profit or loss and other comprehensive income:

		2016	**2015**
Amounts recognised in profit or loss			
Net foreign exchange gain/(loss) included in other income/other expenses	7	87,808	(76,547)
Total net foreign exchange gain/(loss) recognised in profit before income tax for the period		87,808	(76,547)
Net gains/(loss) recognised in other comprehensive income		-	-
Loss/(gain) reclassified from other comprehensive income		-	-

Sensitivity

As a result of the Opcon outstanding trade payables amount, the Group is primarily exposed to changes in the SEK/$ exchange rates. The Group's exposure to other foreign exchange movements is not material.

	Impact on post tax profit	
	2016	**2015**
SEK/$ exchange rate- increase 10%	(33,176)	(37,006)
SEK/$ exchange rate- decrease 10%	34,208	38,224

(ii) **Cash flow and fair value interest rate risk**

The Group's exposure to interest rate risk relate primarily to cash and cash equivalents. As at 31 December 2016, the Group has no financial liabilities subject to interest rate movements. The Group's maximum exposure to interest rate risk at reporting date is shown below. As such, sensitivity to interest rate risk is considered immaterial.

		2016	**2015**
	Note	**$**	**$**
Loans and receivables – current	14	700	700
Cash and cash equivalents	13	250,926	612,117
		251,626	**612,817**

(b) Credit risk

Credit risk arises from cash and cash equivalents, held-to-maturity investments, favourable derivative financial instruments and deposits with banks and financial institutions, as well as the credit exposures to wholesale and retail customers, including outstanding receivables.

The carrying amount of the Group's financial assets represents the maximum credit exposure. The Group's maximum exposure to credit risk at the reporting date was:

	Note	2016 $	2015 $
Loans and receivables – current	14	700	700
Loans and receivables – non current		-	-
Cash and cash equivalents	13	250,926	612,117
		251,626	**612,817**

The Group manages credit risk through dealing with creditworthy counterparties and balances are monitored on an ongoing basis. For bank and financial institutions, only independently rated parties with a minimum Standard &Poor's credit rating of A (or equivalent) are accepted.

(c) Liquidity risk

The Group has limited exposure to liquidity risk as the Group's main liabilities are trade and other payables.

All financial liabilities as at reporting date have contractual maturities of less than 6 months.

The Group manages liquidity risk by monitoring forecast cash flows and ensuring adequate access to funds from unutilised borrowing facilities or other sources.

(d) Recognised fair value measurements

The net fair value and carrying amounts of financial assets and financial liabilities are disclosed in the Consolidated Statement of Financial Position and in the Notes to the Consolidated Statement of Financial Position.

This note provides an update on the judgements and estimates made by the group in determining the fair values of the financial instruments.

(i) *Financial Instruments Measured at Fair Value*

The financial instruments recognised at fair value in the Statement of Financial Position have been analysed and classified using a fair value hierarchy reflecting the significance of the inputs used in making the measurements. At reporting date, the Group has an unsecured convertible note with Magna Equities. The notes are convertible into ordinary shares of the parent entity at the lesser of $0.035 or a 20% discount to the lowest volume weighted average price (VWAP) in the five days prior to subscription.

(ii) *Fair value hierarchy*

The fair value hierarchy consists of the following levels:

- Quoted prices in active markets for identical assets and liabilities (Level 1);
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and
- Inputs for the asset or liability that are not based on observable market date (unobservable inputs) (Level 3)

		Level 1	Level 2	Level 3	Total
31 December 2016					
Financial liabilities					
Convertible loan	20	-	-	305,679	305,679
Total		**-**	**-**	**305,679**	**305,679**

	Level 1	Level 2	Level 3	Total
31 December 2015				
Financial liabilities				
Convertible loan	-	-	-	-
Total	**-**	**-**	**-**	**-**

There were no transfers between levels for recurring fair value measurements during the year. The group's policy is to recognize transfers into and transfers out of fair value hierarchy levels as at the end of the reporting date.

Level 1: the fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: the fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximises the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument is observable, the instrument is included in level 2.

Level 3: if one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities. The fair value of the convertible loan not traded in an active market is determined using an internally prepared discounted cash flow valuation technique using observable imports (such as share price and the terms and conditions of the convertible loan as disclosed in Note 20) and released of the initial calibration adjustment to the profit or loss. At 31 December 2016, the fair value of the convertible note equates to its carrying (redemption) amount, as the conversion option is out of the money.

(iii) *Valuation techniques used to determine fair values*

Specific valuation techniques used to value financial instruments include:

- Use of the quoted market prices or dealer quotes for similar instruments
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date
- The fair value of the remaining financial instruments as determined using discounted cash flow analysis

Capital management

The Board's policy is to maintain a strong asset base so as to maintain investor, creditor and market confidence and to sustain future development of the business. There were no changes in the Group's approach to capital management during the year. Neither the Group nor any of its subsidiaries is subject to externally imposed capital requirements.

34. Parent entity financial information

	2016	2015
Statement of financial position	**$**	**$**
Current assets	276,632	658,576
Total assets	276,632	658,576
Current liabilities	(3,631,153)	(2,080,259)
Total liabilities	(3,631,153)	(2,080,259)
Net Assets	**(3,354,521)**	**(1,421,683)**
Shareholders' equity / (deficit)		
Issued Capital	62,214,943	61,834,826
Reserves	5,853,602	5,884,340
Retained losses	(71,423,066)	(69,140,849)
Total shareholders' equity / (deficit)	**(3,354,521)**	**(1,421,683)**
Loss for the year	(2,276,497)	(572,254)
Total comprehensive loss	(2,276,497)	(572,254)

Refer to Note 25 and 26 for specific commitments and contingent liabilities that exist in the parent entity.

DECLARATION BY DIRECTORS

The directors of the Company declare that:

1. As set out in Note 2(g), the Directors have prepared the financial statements, comprising the consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity, consolidated statement of cash flows and accompanying notes and including the remuneration disclosures required in the Remuneration Report. Although every reasonable effort has been made by the Directors to ascertain the true position of the Group as at 31 December 2016, the Directors are of the opinion that it is not possible to state that the audited remuneration disclosures, financial statements and accompanying notes are in accordance with the *Corporations Act 2001*; and:
   (a) comply with Australian Accounting Standards (including the Australian Accounting Interpretations), the Corporations Regulations 2001 and other mandatory professional reporting requirements;
   (b) give a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the year ended on that date; and
   (c) comply with International Financial Reporting Standards.
2. The ongoing solvency of the Group is dependent on the proposed Deed of Company Arrangement as detailed in Note 2(f) of the financial statements being successfully completed; and there are reasonable grounds to believe that the Group will be able to successfully complete the proposed Deed of Company Arrangement with creditors, and therefore will be able to pay its debts;
   (a) in accordance with the Deed of Company Arrangement as detailed in Note 2(f); and
   (b) as and when they become payable.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:

R Phillips

Rod Phillips

Director

Perth

17 March 2017

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INDEPENDENT AUDITOR'S REPORT

To the members of Enerji Ltd (subject to Deed of Company Arrangement)

Report on the Audit of the Consolidated Financial Report

Disclaimer of Opinion

We were engaged to audit the financial report of Enerji Ltd (the Company) and its subsidiaries (the Group)(subject to Deed of Company Arrangement) which comprises the consolidated statement of financial position as at 31 December 2016, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

We do not express an opinion on the accompanying financial report of the Group. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate evidence to provide a basis for an audit opinion on the financial report.

Basis for Disclaimer of Opinion

On 18 October 2016, Enerji Ltd (subject to Deed of Company Arrangement) was placed into Administration. As stated in note 2(g) of the financial report, the duties and responsibilities of the Directors were suspended from the date the Company entered into Administration. For the period in which the Company was in Administration the Directors did not have oversight or control over the Group's financial reporting systems, including (but not limited to) being able to obtain access to complete accounting records. As a result, we did not have access to the complete books and financial records of the consolidated entity.

Consequently, we were unable to determine whether any adjustments might have been found necessary in respect of the consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows, and the notes to the financial report.

Emphasis of Matter

We draw attention to Note 2(b) in the financial report which states that the financial report of Enerji Ltd (subject to Deed of Company Arrangement) has been prepared on a non-going concern basis. Under the non-going concern basis of preparation, assets have been measured at their subsequent realisable value. The subsequent realisable value is their value based on the proceeds subsequently received on sale, disposal or realisation as detailed in the accounting policies. Liabilities have been measured at their contractual amounts payable including in default circumstances where relevant, as detailed in the accounting policies.

Responsibilities of Directors and Those Charged with Governance for the Financial Report

The Directors are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards as they apply on a non-going concern basis 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 is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Financial Report

Our responsibility is to conduct an audit of the financial report in accordance with Australian Auditing Standards and to issue an auditor's report. However, because of the matters described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial report.

We are independent of the consolidated entity in accordance with 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.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (http://www.auasb.gov.au/Home.aspx) at:

http://www.auasb.gov.au/auditors_files/ar2.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Disclaimer of Opinion

We were engaged to audit the Remuneration Report included on pages 12 to 18 of the directors' report for the year ended 31 December 2016. 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.

We do not express an opinion on the Remuneration Report. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the Remuneration Report.

Basis for Disclaimer of Opinion

On 18 October 2016, Enerji Ltd (subject to Deed of Company Arrangement) was placed into Administration. As stated in note 2(g) of the financial report, the duties and responsibilities of the Directors were suspended from the date the Company entered into Administration. For the period in which the Company was in Administration, the Directors did not have oversight or control over the Group's financial reporting systems, including being able to access financial records that correctly record and explain the transactions included in the Remuneration Report for the year ended 31 December 2016. As a result of the above matters, we are unable to determine the completeness and accuracy of information related to the Remuneration Report for the year ended 31 December 2016.

BDO Audit (WA) Pty Ltd

BDO

J Prue

Jarrad Prue

Director

Perth, 17 March 2017

CORPORATE GOVERNANCE STATEMENT

- On 18 October 2016, the Company was placed into administration, with Messrs Rahul Goyal and Cliff Rocke appointed as administrators of the Company pursuant to section 436C of the Corporations Act by its secured creditor, Ames Associates Pty Ltd.
- On 21 December 2016, the Company entered into a deed of company arrangement with ECM Pty Ltd, Messrs Rahul Goyal and Richard Tucker (who replaced Mr Cliff Rocke as administrator).
- For the period in which the Company was in administration the Directors did not have oversight, control or responsibility for the corporate governance of the Company.
- This document is current as at 18 October 2016 and the disclosures relate to the period up to that date. It has been approved by the Board of the Company.
- The Corporate Governance regime of the Company will be reviewed and updated by the directors proposed to be appointed to the Board in May 2017.

Corporate Governance

The Board of Directors of Enerji Ltd (ERJ) is responsible for the corporate governance of the Company. The Board guides and monitors the business and affairs of the Company on behalf of the shareholders by whom they are elected and to whom they are accountable.

In accordance with the Australian Securities Exchange (ASX) Corporate Governance Council's ("CGC") "Principles of Good Corporate Governance and Best Practice Recommendations" the Corporate Governance Statement must contain certain specific information and must disclose the extent to which the Company has followed the guidelines during the period. Where a recommendation has not been followed, that fact must be disclosed together with the reasons for the departure.

The Company's corporate governance practices were in place throughout the year and are compliant, unless otherwise stated, with the Corporate Governance Council's principles and recommendations, which are noted below.

Principle 1.	Lay solid foundations for management and oversight
Principle 2.	Structure the Board to add value
Principle 3.	Act ethically and responsibly
Principle 4.	Safeguard integrity in corporate reporting
Principle 5.	Make timely and balanced disclosure
Principle 6.	Respect the rights of security holders
Principle 7.	Recognise and manage risk
Principle 8.	Remunerate fairly and responsibly

A summary of the corporate governance policies and practices adopted by ERJ is set out below.

Role of the Board of Directors

The Board of ERJ is responsible for setting the Company's strategic direction and providing effective governance over ERJs' affairs in conjunction with the overall supervision of the Company's business with the view of maximising shareholder value. The Board's key responsibilities are to:

(a) chart the direction, strategies and financial objectives for ERJ and monitor the implementation of those policies, strategies and financial objectives;

(b) monitor compliance with regulatory requirements, ethical standards and external commitments;

(c) appoint, evaluate the performance of, determine the remuneration of, plan for the succession of and, where appropriate, remove the Chief Executive Officer if in place or similar person acting in the executive capacity; and

(d) ensure that the Board continues to have the mix of skills and experience necessary to conduct ERJs' activities, and that appropriate directors are selected and appointed as required.

In accordance with ERJs' Constitution, the Board delegates responsibility for the day–to–day management of ERJ to the Chief Executive Officer (subject to any limits of such delegated authority as determined by the Board from time to time). Management as a whole is charged with reporting to the Board on the performance of the Company.

Board structure and composition

The Board currently is comprised of 3 directors, one of whom, Mr Rod Phillips is considered to be an independent non– executive Director. Mr Avery and Mr Dekker are not considered to be independent directors due to their large shareholdings in the Company. There were various changes in the Board and management throughout 2015 and the Board continues to assess its skillset to ensure it consists of the appropriate mix of skills. The Board considers that the current directors are best placed to guide the Company through its current state of development, however, the Board is considered the appointment of additional independent non-executive directors to enhance the skillset of the Board. Details of each directors skill, expertise, background and length of service as a director are contained within the directors report included with the company's annual financial statements.

Independence, in this context, is defined to mean a non–executive Director who is free from any interest and any business or other relationship that could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of ERJ. The definition of independence in ASX Recommendation 2.3 is taken into account for this purpose.

The Board is of the view that the appointment of additional non-executive directors to the Company is required. Further consideration is being given to appointments and the timing of such appointments given the current status of development of the Company's projects.

The Board will ensure that it continues to have the mix of skills and experience necessary to conduct ERJs' activities, and that appropriate directors are selected and appointed as required. The following table sets out the mix of skills and diversity that the Board currently has:

	No# of Directors
Expertise	
CEO/CFO/Senior Exec	2
Legal	0
Financially Knowledgeable	3
Renewable Energy	0
Technical / Engineering	0
Sales and Marketing	3
Financial Expert	1
Mergers and Acquisitions	1
Competencies	
Strategic Leadership	3
Vision and Mission	3
Networking	3
Governance	3

Details of directors' shareholdings are disclosed in the directors' report and financial report. There are no retirement schemes other than the payment of statutory superannuation contributions.

Any equity based compensation of directors is required to be approved in advance by shareholders.

Presently, the roles of Chairman and Chief Executive Officer have been separated. The present Chairman of the Company is considered to be an independent director. All other directors of the Company are, and were not considered independent during the reporting period.

The Chief Executive Officer is responsible for supervising the management of the business as designated by the Board. This ensures the appropriate independent functioning of the Board and management.

ERJs' non–executive Directors may not hold office for a continuous period in excess of three years or past the third annual general meeting following their appointment, whichever is longer, without submitting for re–election. Directors are elected or re–elected, as the case may be, by shareholders in a general meeting. Directors may offer themselves for re–election. A Director appointed by the Directors (e.g., to fill a casual vacancy) will hold office only until the conclusion of the next annual general meeting of ERJ but is eligible for re–election at that meeting.

The process for retirement by rotation and re-election of a director is set down in the Company's constitution. If a retiring director nominates for re-election, the Board will assess the performance of that director in their absence, and determine whether the Board will recommend a shareholder vote in favour of the re-election, or otherwise.

Details of each director standing for re-election, including their biographical details, relevant qualifications, experience and the skills, and other material directorships they bring to the Board are provided to shareholders to assess prior to voting on their re-election.

For new appointments, the Board, identifies candidates with the appropriate expertise and experience. The Board will appoint the most suitable candidate, but the shareholders at the next annual general meeting of the Company must ratify the appointment. Shareholders are provided with all material information in the Notice of Annual General Meeting relevant to a decision on whether or not to elect of re-elect a director.

The Board will ensure appropriate checks are undertaken prior to making any future Board appointments. These will include checks as to the person's character, experience, education, criminal record and bankruptcy history. Formal checks were not undertaken by the Board in making the new appointments in May 2015.

The key terms, conditions and requirements are set out in a standard letter of appointment. New directors are provided with an informal induction program tailored to the needs of individual appointees. The program includes meetings with major shareholders, one-on-one meetings with the members of the management team and provision of key corporate documents. Under ERJs' Constitution, voting requires a simple majority of the Board. The Chairman holds a casting vote.

The Company has procedures enabling any director or committee of the board to seek external professional advice as considered necessary, at the Company's expense subject to prior consultation with the Chairman. A copy of any advice sought by a director would be made available to all directors.

All directors have unrestricted access to the Company Secretary, all employees of the group, and, subject to the law, access to all Company records and information held by group employees and external advisers. The Board receives regular detailed financial and operational reports from senior management to enable it to carry out its duties.

The Company Secretary is accountable directly to the Board, through the Chairman, on all matters to do with the proposer functioning of the Board. The role of the Company Secretary includes:

- Advising the Board and its Committees on governance matters;
- Monitoring that Board and Committee policy and procedures are followed;
- Coordinating, in unison with the Company, the timely completion and despatch of Board and Committee papers;
- Ensuring that the business at Board and Committee meetings is accurately captured in the minutes; and
- Helping to organise and facilitate the induction and professional development of directors.

Board and management effectiveness

Responsibility for the overall direction and management of ERJ, its corporate governance and the internal workings of ERJ rests with the Board notwithstanding the delegation of certain functions to the Chief Executive Officer and management generally (such delegation effected at all times in accordance with ERJ' Constitution and its corporate governance policies).

An evaluation procedure in relation to the Board, individual Directors, Board Committees and Company executives was adopted by the Board in October 2014. An evaluation procedure did not take place during the year. The evaluation of the Board as a whole will be facilitated through the use of a questionnaire required to be completed by each Board Member, the results of which will be summarized and discussed with the Chairman of the Board and tabled for discussion at a Board Meeting. Similarly, each individual director will be required to self-assess his performance and to discuss the results with the Chairman. The same procedure will be undertaken for the Audit, Compliance and Risk Committee and the Remuneration and Nomination Committee when re-established.

To ensure management, as well as Board effectiveness, the Board has direct responsibility for evaluating the performance of the Chief Executive Officer. A formal review of the CEO was not undertaken due to the CEO's departure from the Company.

Financial reporting, Internal Control and Risk Management

The Board has overall responsibility for ERJ' systems of internal control. These systems are designed to ensure effective and efficient operations, including financial reporting and compliance with laws and regulation, with a view to managing risk of failure to achieve business objectives. It must be recognized however that internal control systems provide only reasonable and not absolute assurance against the risk of material loss.

The Board reviews the financial position of ERJ on a regular basis. For annual financial statements, the Chief Executive Officer, and the Company Financial Officer are required to state in writing that:

- the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and operational results in accordance with the relevant accounting standards; and
- are founded on a system of risk management and internal compliance and control and the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

Management has not formally reported to the Board on the effectiveness of the Company's management of material business risk. Management and the Board interact on a day to day basis and risk is currently being considered across the financial, operational and organization aspects of the Company's business. The Company will continue to monitor, assess and report its business risks.

The Company does not presently have an internal audit function. This is mitigated by the Board implementing the matters set out below under and having a primary responsibility to ensure that:

- The Company presents and publishes accounts, which present a true and fair view of its results and financial position.
- The accounting methods adopted are appropriate to the Company and consistently applied in accordance with relevant accounting standards and the applicable laws. And;
- The appointment and performance of the external auditor is appropriately monitored to ensure independence and the serving of the interests of shareholders.

Economic, environmental and social sustainability risks

The Board considers the various economic, environmental and social responsibilities that face the organisation. Below outlines the key risk to the Company in each category of risk, as identified by the Board:

Economic sustainability

Economic sustainability is the ability of a listed entity to continue operating at an effective economic level over the long term. A range of factors can influence the level of Enerji's sustainability.

- Funding Risk: - The economic success of the Company is dependent on the Company being able to raise sufficient funds either through debt or equity in order to develop its projects and fund working capital. The Board assesses funding on an ongoing basis and ensures the Company is adequately funded. Funding initiatives are considered by the Board and decisions are made based on the circumstances facing the Company.
- Developing Intellectual Property – the company has a track record of developing conceptual proprietary knowledge, continued development is an important part of the economic sustainability of the company.
- Maintaining ownership of existing Intellectual Property – the company has rights to exploit certain proprietary and non proprietary intellectual property which it maintains by commercial and legal arrangements.
- Obtaining licenses to operate – a part of bringing Enerji's planned operations to reality will require certain operating licenses.

- Developing additional renewable power models

Environmental sustainability

Environmental sustainability is the ability of a listed entity to continue operating in a manner that does not compromise the health of the ecosystems in which it operates over the long term. Enerji's business model is aimed at assisting its clients to reduce their impact on the environment by reducing their impact on the environment from their energy generation operations. Enerji has identified the following factors in this regard. At this time Enerji has no active operations and therefore no impact from operations on the environment.

Social sustainability

Social sustainability is the ability of a listed entity to continue operating in a manner that meets accepted social norms and needs over the long term. Considerations include:

- Alleged bribery and corruption – the company operates with a culture of zero acceptance of corruption and inappropriate behaviour and activities.
- OH&S compliance – the companies current operations do not involve considerable exposure to OH&S risks, however it has policies in place which will continue to be developed as the company moves into development and operations of its projects.

Committees of the Board of Directors

The Company has established two permanent Board committees to assist the Board in the performance of its functions:

(a) the Audit and Risk Committee; and

(b) the Remuneration and Nomination Committee (established in October 2014).

Each committee has a charter, which sets out the Committee's purpose and responsibilities. The Committees are described further below. It should be noted that throughout the course of 2016, due to the relatively small size of the newly constituted Board, the Board considered all matters typically considered by the Committees set out below. Further consideration will be given to re-establishing the Committees as and when the Board structure is enhanced.

Audit and Risk Committee

The purpose of the Audit and Risk Committee is to provide assistance to the Board in its review of:

(a) ERJ's financial reporting, internal control structure and risk management systems;

(b) the internal and external audit functions; and

(c) ERJ's compliance with legal and regulatory requirements in relation to the above.

The Audit and Risk Committee has specific responsibilities in relation to ERJ's financial reporting process; the assessment of accounting, financial and internal controls; the appointment of external auditor; the assessment of the external audit; the independence of the external auditor; and setting the scope of the external audit.

The members of the Audit and Risk Committee are presently all members of the Board and chaired by the chairmen of the Board. Whilst this is not considered best practice, given the present makeup of the Board, the functioning of the committee will provide specific focus on matters set out under the charter of the Audit and Risk Committee.

It is envisaged once the Company further develops and enhances its Board composition, the Audit and Risk Committee will comprise at least three non–executive Directors that have diverse, complementary backgrounds, with two independent non–executive Directors. The Chairman of the Audit, Compliance and Risk Committee will be an independent non–executive Director.

Remuneration and Nomination Committee

The purpose of the Remuneration and Nomination Committee is to discharge the Board's responsibilities relating to the nomination and selection of Directors and the compensation of the Company's executives and Directors.

The key responsibilities of the Remuneration and Nomination Committee are to:

(a) ensure the establishment and maintenance of a formal and transparent procedure for the selection and appointment of new Directors to the Board; and

(b) establish transparent and coherent remuneration policies and practices, which will enable ERJ to attract, retain and motivate executives and Directors who will create value for shareholders and to fairly and responsibly reward executives.

The members of the Remuneration and Nomination Committee are presently all members of the Board and chaired by the chairmen of the Board. Whilst this is not considered best practice, given the present makeup of the Board, the functioning of the committee will provide specific focus on matters set out under the charter of the Remuneration and Nomination Committee.

It is envisaged once the Company further develops and enhances its Board composition, the Remuneration and Nomination Committee will comprise at least three non–executive Directors that have diverse, complementary backgrounds, with two independent non–executive Directors. The Chairman of the Remuneration and Nomination Committee will be an independent non–executive Director.

The remuneration policy which sets out the terms and conditions for the Chief Executive Officer and other senior executives is set out in the Remuneration Report included in the Directors Report.

Timely and balanced disclosure

ERJ is committed to promoting investor confidence and ensuring that shareholders and the market have equal access to information and are provided with timely and balanced disclosure of all material matters concerning the Company. Additionally, ERJ recognises its continuous disclosure obligations under the ASX Listing Rules and the Corporations Act.

The Company's shareholders are responsible for voting on the appointment of directors. The Board informs shareholders of all major developments affecting the Company by:

- Preparing half yearly and annual financial reports and making these available to all shareholders.
- Preparing quarterly activity cash flow reports.
- Advising the market of matters requiring disclosure under Australian Securities Exchange Continuous Disclosure Rules.
- Maintaining a record of significant ASX announcements on the Company's website.
- Submitting proposed major changes in the Company's affairs to a vote of shareholders, as required by the Corporation Law.
- Reporting to shareholders at annual general meetings on the Company's activities during the year. All shareholders that are unable to attend these meetings are encouraged to communicate issues or ask questions by writing to the Company. The external auditor attends the AGM and is available to answer questions from security holders relevant to the audit.
- Shareholders are provided with the option to receive communications from, and send communications to, the entity and its security registry electronically.

The Company has adopted a formal disclosure policy. The Board and management are aware of their responsibilities in respect of identifying material information and coordinating disclosure of that information where required by the ASX Listing Rules.

Ethical and responsible decision–making Code of Conduct

The Board has created a framework for managing the Company including internal controls, business risk management processes and appropriate ethical standards.

The Board has adopted practices for maintaining confidence in the Company's integrity including promoting integrity, trust, fairness and honesty in the way employees and Directors conduct themselves and ERJs' business, avoiding conflicts of interest and not misusing company resources.

A Board Code of Conduct and Employee Code of Conduct has been adopted and can be viewed on the Company's website.

Diversity

The Company employs a broad mix of individuals reflecting its philosophy of hiring the best candidate for all positions at all levels irrespective of race, religion or gender. In terms of the composition of the Board and Board nominations, the Board will consider the requirements of the Davies Report and the Australian Securities Exchange Corporate Governance Principles as part of the overall Board appointment process of determining the composition of the Board that is the most appropriate for the Group.

The Company implemented a diversity policy in October 2014. The objective of the policy is for the Company to embrace the diversity of skills, ideas and experiences of an individual and recognise that a workforce is made up of people with differences in age, gender, sexual orientation, disability, religion or national origin or social origin contributes to ERJ's success and organizational strength. It ensures all employees are treated with fairness and respect.

ERJ is committed to embedding a corporate culture that embraces diversity through;

- Recruitment on the basis of competence and performance and selection of candidates from a diverse pool of qualified candidates
- Maintaining selection criteria that does not indirectly disadvantage people from certain groups
- Providing equal employment opportunities through performance and flexible working practices
- Maintaining a safe working environment and supportive culture by taking action against inappropriate workplace and business behaviour that is deemed as unlawful (discrimination, harassment, bullying, vilification and victimization)
- Promoting diversity across all levels of the business
- Undertaking diversity initiatives and measuring their success
- Regularly surveying our work climate
- The Board of Directors establishing measurable objectives in achieving gender diversity.

The Company currently employs minimal full time staff with most functions contracted to third parties and as such no measurable objectives have been set. There are no female directors.

Securities Trading Policy

A Securities Trading Policy has been adopted by the Board to set a standard of conduct, which demonstrates ERJ's commitment to ensuring awareness of the insider trading laws, and that employees and Directors comply with those laws. The Securities Trading Policy imposes additional share trading restrictions on Directors, the Company Secretary, executives and employees involved in monthly financial accounting processes ("specified persons").

Under the Securities Trading Policy, specified persons are only permitted to buy and sell securities if they do not possess non–public price sensitive information and trading occurs outside of specified restricted periods. These periods are the periods commencing on the first day of the month before the end of the half–year or full year period and ending on the next business day after the announcement of the results for that period. In addition, before a specified person can deal in ERJ's securities they must obtain clearance from the appropriate officer, confirming that there is no reason why they cannot trade.

Other Information

The ASX guidelines also prescribe that the Company should maintain a dedicated corporate governance information section on its website. Such a dedicated information section was not available for the entire reporting period however all corporate governance policies have subsequently been available on the Company's Website.

INVESTOR INFORMATION

Additional information required by the Australian Securities Exchange Limited and not shown elsewhere in this report is as follows.

The information is current at 20 April 2017.

DISTRIBUTION OF EQUITY SECURITIES

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

Category	No. Ordinary Shareholders	No. Ordinary Shares	% of Issued Capital
100,001 and over	482	563,666,262	94.80
10,001 to 100,000	666	28,340,852	4.77
5,001 to 10,000	192	1,577,976	0.27
1,001 to 5000	293	832,694	0.14
1 to 1,000	435	115,774	0.02
Total	**2,068**	**594,533,558**	**100.00**
Unmarketable Parcels	1,519	24,167,296	4.07

TWENTY LARGEST SHAREHOLDERS

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

Rank	Name	No. Ordinary Shares	% of Issued Capital
1	Dawesville Nominees Pty Ltd	91,742,316	15.43
2	J & TW Dekker Pty Ltd	36,361,013	6.12
3	Hawera Pty Ltd	27,078,030	4.55
4	Mr Adam John Trethowan	17,349,000	2.92
5	Mr John Dekker & Mrs Tanya Wilma Dekker	13,825,000	2.33
6	Peter James Avery	12,700,000	2.14
7	Thornbury Nominees Pty Ltd	9,001,929	1.51
8	Mr Nektarios Georgiou & Mrs Georgia Georgiou	8,508,899	1.43
9	Buelow Nominees Pty Ltd	5,898,433	0.99
10	E C Dawson Super Pty Ltd	5,810,600	0.98
11	Mr Andrew Peter Fisher	5,500,000	0.93
12	Mrs Emina Davis	5,000,000	0.84
12	Mr Menelaos Ellinas	5,000,000	0.84
12	Mr Jason Scott Wooster	5,000,000	0.84
13	Mr Andrew Peter Fisher & Mrs Loris Joyce Fisher	4,500,000	0.76
13	Indio Holding Pty Ltd	4,500,000	0.76
14	Boxpower AB	4,450,000	0.75
15	Mr Bo Lu & Mr Yanrui Song	4,260,000	0.72
16	Mr Shane Robert McMillan	4,229,500	0.71
17	Mrs Loris Joyce Fisher & Mr Peter John Fisher	4,100,000	0.69

18	Mr Ray Sleiman	4,002,194	0.67
19	Mr Huu Thinh Luu	4,000,000	0.67
20	Bell Potter Nominees Ltd	3,699,800	0.62
	Total	**286,516,714**	**48.20**
	Balance of register	308,016,844	51.80
	Grand Total	**594,533,558**	**100.00**

SUBSTANTIAL SHAREHOLDERS

The following shareholders have declared a relevant interest in the number of voting shares at the date of giving notice under Part 6C.1 of the *Corporations Act 2001*.

Shareholder	No. Ordinary Shares	% of Issued Capital
Peter James Avery	105,652,093	17.77
John Dekker	50,186,013	8.44

VOTING RIGHTS

Each ordinary shareholder present at a general meeting in person, by proxy or by representative is entitled to one vote on a show of hands, or on a poll, one vote for each fully paid ordinary share subject to any voting restrictions that may apply.

ANNUAL GENERAL MEETING

The Annual General Meeting will be held at BDO Offices, 38 Station Street, Subiaco WA 6008 on 31 May 2017 at 09:30am (AWST). Full details of the meeting are contained in the Notice of Annual General Meeting sent with this report.

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