



## Emefcy Group Limited (ASX: EMC) ASX Appendix 4C Statement of Cash Flows – March Q 2017

**April 28, 2017**

**Melbourne, Australia and Caesarea, Israel:** Emefcy Group Limited (ASX: EMC) is pleased to release the attached ASX Appendix 4C Statement of Cash Flows – March Quarter 2017.

### **1 Strategic alliance with RWL Water is yielding early results**

The formation of a strategic alliance with RWL Water LLC announced on March 30 2017 is already accelerating the execution of the Company's China strategy.

The first jointly developed project between Emefcy and RWL announced earlier this month, is a multiphase agreement to utilize Emefcy's MABR wastewater treatment technology at one of five treatment plants in Tianjin – China's fourth largest city. The five plants are owned and operated by Tianjin Caring Company and have a total installed capacity of 1.5 million cubic meters per day.

This project was developed in partnership with one of Emefcy's China distributors, Interflow Control Technologies. The first phase of the project is based on a proprietary "packaged plant design solution" developed jointly by Emefcy and RWL Water, with an installed capacity of 20,000 litres per day and scheduled for installation in Q3, 2017. This paid Phase I MABR "packaged plant" combines Emefcy's proprietary technology and RWL Water's engineering and packaging solutions.

A subsequent phase opportunity is to deploy the Company's larger scale SUBRE technology in Tianjin Caring Company's municipal treatment sites and establish a reference site for municipal treatment in China. SUBRE is a submerged version of the MABR technology, and is suitable for larger, centralized traditional treatment plants.

The second key benefit of the alliance with RWL Water is the extension of the Emefcy MABR wastewater treatment solution into a larger packaged plant wastewater treatment solution, which offers a "plug and play" capability and reduces the need for site-based works. Through years of implementation experience, RWL Water is an expert in high quality packaged plant solutions.

As a consequence of being able to offer packaged plant solutions, Emefcy anticipates accessing a larger share of revenue from each wastewater deployment opportunity. Two demonstration packaged plant units have been produced by RWL Water for Emefcy and are being shipped to two of the company's Chinese strategic partners, China Gezhouba Group Corporation (CGGC) and Beijing Sinorichen Environmental Protection Corp. Ltd. ("Sinorichen").

Emefcy will enlist RWL Water's engineering expertise in designing and producing a range of packaged plant solutions for the China market. This expertise was developed over the years by designing, producing and deploying scalable water treatment solutions incorporating specially adapted shipping containers. This capability will enable Emefcy to offer its strategic distribution partners a spectrum of solutions including easy-to-ship and install modular solutions, packaged or kitted plants, or fully containerised plug-and-play plants.

These scalable solutions will provide the flexibility to meet varying requirements for waste water treatment in remote villages in China, thereby increasing the Company's ability to capture meaningful share of the enormous China market opportunity.

## **2 Roll out of the China strategy continues**

Progress continues with existing and new distribution channels in China. The first demonstration plant deployed at the Wuxi Design Institute is operating within the required specifications. Data continues to be collected to support the application for certification.

A second demonstration unit was shipped to Jiangsu Jinzi Environmental Technology Company, Ltd. ("Jinzi"), a leading environmental protection company focusing on the design, building and operation of wastewater treatment systems for rural communities in the Central and Southern Provinces of China. The third and fourth demonstration units as described above are currently being shipped to CGGC and Sinorichen. These latter three demonstration units incorporate design upgrades resulting from operating experience at the first deployment at Wuxi. All four demonstration units will also be important reference sites for potential Chinese customers.

The Company's Wholly Foreign Owned Entity in China is now incorporated and operational.

## **3 Other news since 1 January 2017**

In early February 2017, the Company announced the planned deployment of the first Emefcy MABR system in California. This is the result of a memorandum of understanding with Stanford University's Codiga Resource Recovery Center (CR2C), to test and evaluate Emefcy's MABR product. CR2C is a first-of-its-kind pilot-scale testing facility, using a novel core infrastructure and test beds for flexible analysis of mobile treatment systems fed multiple grades of water.

On February 13, 2017, the Company announced the signing of its second contract in Ethiopia. In collaboration with its local partner TodayTomorrow Ventures Inc. ("TTV"), the company will supply its proprietary technology for a new wastewater treatment plant for a large residential compound in Addis Ababa. When complete later this year, the plant will replace the existing septic systems with an energy-efficient, reliable, and neighbourhood-friendly treatment and reuse system. The contract will generate revenue of approximately US\$400,000 to Emefcy. Construction is well underway.

On March 10, 2017, S&P Dow Jones Indices announced the admission of Emefcy to the prestigious ASX All Ordinaries Index, representing the Top 500 companies listed on ASX by market capitalisation.

On April 26, Emefcy was recognized as a *2016 Breakthrough Water Technology Company of the Year* by **Global Water Intelligence (“GWI”)**, one of the industry’s pre-eminent water industry research organizations. The award category recognizes development-stage companies that made the most impressive commercial breakthroughs into the global water market in the past year. Emefcy was recognized “with distinction” at the awards ceremony at GWI’s Global Water Summit in Madrid, Spain.

## **Key points to note in relation to the Appendix 4C include:**

- Cash and cash equivalents at 31 March 2017 were USD 19.8M (31 Dec USD 23.0M).
- In addition to revenue reported for the quarter, on April 12 the Company received US\$200,000, representing a 50% progress payment for the wastewater treatment plant under construction in Ethiopia.
- Net cash used in operating activities in the March quarter of USD 3.3M (December quarter USD 2.3M) increased as a consequence of increased purchases of manufacturing materials, year-end statutory expenses and building the China workforce.
- The ASX Appendix 4C Statement of Cash Flows is attached, with all numbers in USD unless otherwise indicated.

### **About Emefcy Group Limited**

Emefcy develops, manufactures and markets new, energy-efficient MABR based wastewater treatment solutions, aiming to change the economics of various markets and addressing the growing global demand for clean water in municipal and industrial plants.

With several global innovation awards and a strong scientific background, Emefcy is at the forefront of the next generation of MABR based wastewater treatment. Additional MABR based wastewater solutions out of Emefcy’s extensive R&D operations are expected to be announced in the coming year.

Emefcy Group Limited (ASX: EMC) is a public company traded on the Australian Stock Exchange.

Visit our website: [www.emefcy.com](http://www.emefcy.com)

### **About RWL Water**

Founded by Ronald S. Lauder in 2010, New York-based RWL Water was established with a vision to become the leading global water, wastewater and reuse solutions provider in the middle market. With operations in Latin America, the United States, Europe and the Middle East and over 90 years of combined operational experience, RWL Water provides leading edge, global solutions for desalination, water, wastewater, waste-to-energy, recovery & reuse as well as food & beverage processing.

Visit our website: <https://www.rwlwater.com/>

Any forward-looking statements in this announcement are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of the Company, its directors and management.

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## Appendix 4C

### Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

**Name of entity**

Emefcy Group Ltd

**ABN**

52 127 734 196

**Quarter ended ("current quarter")**

31<sup>st</sup> March 2017

| <b>Consolidated statement of cash flows</b>               | <b>Current quarter<br/>\$USD'000</b> | <b>Year to date<br/>(3 months)<br/>\$USD'000</b> |
|-----------------------------------------------------------|--------------------------------------|--------------------------------------------------|
| <b>1. Cash flows from operating activities</b>            |                                      |                                                  |
| 1.1 Receipts from customers                               | 70                                   | 70                                               |
| 1.2 Payments for                                          |                                      |                                                  |
| (a) research and development                              | (122)                                | (122)                                            |
| (b) product manufacturing and operating costs             | (811)                                | (811)                                            |
| (c) advertising and marketing                             | (110)                                | (110)                                            |
| (d) leased assets                                         | (96)                                 | (96)                                             |
| (e) staff costs                                           | (965)                                | (965)                                            |
| (f) administration and corporate costs                    | (1,233)                              | (1,235)                                          |
| 1.3 Dividends received (see note 3)                       | -                                    | -                                                |
| 1.4 Interest received                                     | 2                                    | 2                                                |
| 1.5 Interest and other costs of finance paid              | (2)                                  | (2)                                              |
| 1.6 Income taxes paid                                     | -                                    | -                                                |
| 1.7 Government royalties                                  | (12)                                 | (12)                                             |
| 1.8 Other (provide details if material)                   | -                                    | -                                                |
| <b>1.9 Net cash from / (used in) operating activities</b> | <b>(3,279)</b>                       | <b>(3,279)</b>                                   |

|            |                                                       |          |          |
|------------|-------------------------------------------------------|----------|----------|
| <b>2.</b>  | <b>Cash flows from investing activities</b>           |          |          |
| 2.1        | Payments to acquire:                                  |          |          |
|            | (a) property, plant and equipment                     | -        | -        |
|            | (b) businesses (see item 10)                          | -        | -        |
|            | (c) investments                                       | -        | -        |
|            | (d) intellectual property                             | -        | -        |
|            | (e) other non-current assets                          | -        | -        |
| 2.2        | Proceeds from disposal of:                            |          |          |
|            | (a) property, plant and equipment                     | -        | -        |
|            | (b) businesses (see item 10)                          | -        | -        |
|            | (c) investments                                       | -        | -        |
|            | (d) intellectual property                             | -        | -        |
|            | (e) other non-current assets                          | -        | -        |
| 2.3        | Cash flows from loans to other entities               | -        | -        |
| 2.4        | Dividends received (see note 3)                       | -        | -        |
| 2.5        | Other (provide details if material)                   | -        | -        |
| <b>2.6</b> | <b>Net cash from / (used in) investing activities</b> | <b>-</b> | <b>-</b> |

|             |                                                                             |          |          |
|-------------|-----------------------------------------------------------------------------|----------|----------|
| <b>3.</b>   | <b>Cash flows from financing activities</b>                                 |          |          |
| 3.1         | Proceeds from issues of shares                                              | -        | -        |
| 3.2         | Proceeds from issue of convertible notes                                    | -        | -        |
| 3.3         | Proceeds from exercise of share options                                     | -        | -        |
| 3.4         | Transaction costs related to issues of shares, convertible notes or options | -        | -        |
| 3.5         | Proceeds from borrowings                                                    | -        | -        |
| 3.6         | Repayment of borrowings                                                     | -        | -        |
| 3.7         | Transaction costs related to loans and borrowings                           | -        | -        |
| 3.8         | Dividends paid                                                              | -        | -        |
| 3.9         | Other (provide details if material)                                         | 4        | 4        |
| <b>3.10</b> | <b>Net cash from / (used in) financing activities</b>                       | <b>4</b> | <b>4</b> |

|           |                                                                              |         |         |
|-----------|------------------------------------------------------------------------------|---------|---------|
| <b>4.</b> | <b>Net increase / (decrease) in cash and cash equivalents for the period</b> |         |         |
| 4.1       | Cash and cash equivalents at beginning of quarter/year to date               | 22,986  | 22,986  |
| 4.2       | Net cash from / (used in) operating activities (item 1.9 above)              | (3,279) | (3,279) |

|            |                                                                  |               |               |
|------------|------------------------------------------------------------------|---------------|---------------|
| 4.3        | Net cash from / (used in) investing activities (item 2.6 above)  | -             | -             |
| 4.4        | Net cash from / (used in) financing activities (item 3.10 above) | 4             | 4             |
| 4.5        | Effect of movement in exchange rates on cash held                | 128           | 128           |
| <b>4.6</b> | <b>Cash and cash equivalents at end of quarter</b>               | <b>19,839</b> | <b>19,839</b> |

| 5.         | <b>Reconciliation of cash and cash equivalents</b><br>at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts | Current quarter<br>\$USD'000 | Previous quarter<br>\$USD'000 |
|------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------|-------------------------------|
| 5.1        | Bank balances                                                                                                                                                               | 19,839                       | 22,986                        |
| 5.2        | Call deposits                                                                                                                                                               | -                            | -                             |
| 5.3        | Bank overdrafts                                                                                                                                                             | -                            | -                             |
| 5.4        | Other (provide details)                                                                                                                                                     | -                            | -                             |
| <b>5.5</b> | <b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>                                                                                            | <b>19,839</b>                | <b>22,986</b>                 |

**6. Payments to directors of the entity and their associates**

- 6.1 Aggregate amount of payments to these parties included in item 1.2, including annual bonuses
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

**Current quarter  
\$USD'000**

252

-

Salaries, executive director bonus, director's fees and consulting fees at normal commercial rates. Excludes GST where applicable.

**7. Payments to related entities of the entity and their associates**

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

**Current quarter  
\$USD'000**

-

-

-

| 8. <b>Financing facilities available</b><br><i>Add notes as necessary for an understanding of the position</i>                                                                                                                                                                             | Total facility amount<br>at quarter end<br>\$USD'000 | Amount drawn at<br>quarter end<br>\$USD'000 |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------|---------------------------------------------|
| 8.1 Loan facilities                                                                                                                                                                                                                                                                        | -                                                    | -                                           |
| 8.2 Credit standby arrangements                                                                                                                                                                                                                                                            | -                                                    | -                                           |
| 8.3 Other (please specify)                                                                                                                                                                                                                                                                 | -                                                    | -                                           |
| 8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well. |                                                      |                                             |

|   |
|---|
| - |
|---|

| 9. <b>Estimated operating cash outflows for next quarter</b> | \$USD'000    |
|--------------------------------------------------------------|--------------|
| 9.1 Research and development                                 | 361          |
| 9.2 Product manufacturing and operating costs                | 552          |
| 9.3 Advertising and marketing                                | 281          |
| 9.4 Leased assets                                            | 133          |
| 9.5 Staff costs                                              | 1,006        |
| 9.6 Administration and corporate costs                       | 582          |
| 9.7 Property, Plant and Equipment and Other                  | 1,600        |
| <b>9.8 Total estimated cash outflows</b>                     | <b>4,515</b> |

| 10. <b>Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)</b> | Acquisitions | Disposals |
|--------------------------------------------------------------------------------------------|--------------|-----------|
| 10.1 Name of entity                                                                        | -            | -         |
| 10.2 Place of incorporation or registration                                                | -            | -         |
| 10.3 Consideration for acquisition or disposal                                             | -            | -         |
| 10.4 Total net assets                                                                      | -            | -         |
| 10.5 Nature of business                                                                    | -            | -         |

**Compliance statement**

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.



Sign here: .....

Date: 28 April 2017

Company Secretary

Print name: Ross Kennedy

**Notes**

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.