

EMEFCY LTD.

INTERIM FINANCIAL STATEMENTS

AS OF JUNE 30, 2015

REVIEWED

EMEFCY LTD.

INTERIM FINANCIAL STATEMENTS

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The amounts are stated in thousand U.S dollars

REVIEW REPORT
To the Shareholders of
Emefcy Ltd.

We have reviewed the accompanying balance sheet of Emefcy Ltd. as of June 30, 2015 and the statement of comprehensive income, statement of changes in shareholders' equity and cash flow statement for the six months then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these financial statements based on our review.

We conducted our review in accordance with the International Standard on Review Engagements. This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying financial statements are not presented fairly, in all material respects in accordance with International Accounting Standards.

Tel-Aviv, Israel
September 27, 2015

Ziv haft

Certified Public Accountants (Isr.)
BDO Member Firm

EMEFCY LTD.
BALANCE SHEETS

	June 30, 2015	December 31, 2014
	Reviewed	Audited
	In thousands	In thousands
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 634	\$ 1,617
Restricted cash	23	34
Other accounts receivable	48	194
Total current assets	<u>705</u>	<u>1,845</u>
LONG TERM ASSETS:		
Long-term lease deposit	7	7
Property and equipment, net	825	898
Intangible assets	<u>1,532</u>	<u>575</u>
Total long term assets	<u>2,364</u>	<u>1,480</u>
 TOTAL ASSETS	 <u><u>\$3,069</u></u>	 <u><u>\$ 3,325</u></u>

The accompanying notes are an integral part of the financial statements.

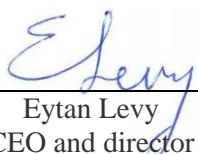
EMEFCY LTD.
BALANCE SHEETS

	June 30, 2015	December 31, 2014
	Reviewed	Audited
	In thousands	In thousands
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 49	\$ 104
Other accounts payable	162	223
Total current liabilities	<u>211</u>	<u>327</u>
LONG TERM LIABILITIES:		
Governmental liabilities on grants received	721	595
Total long term liabilities	<u>721</u>	<u>595</u>
EQUITY:		
Ordinary shares of NIS 0.01 par value	2	2
Preferred A, A-1, B-1, B-2,B-3 and C shares of NIS 0.01 par value	10	10
Additional paid-in capital	12,650	12,648
Accumulated deficit	(10,525)	(10,257)
Total equity	<u>2,137</u>	<u>2,403</u>
TOTAL LIABILITIES AND EQUITY	<u><u>\$ 3,069</u></u>	<u><u>\$ 3,325</u></u>

The accompanying notes are an integral part of the financial statements

27/09/2015

Date of approval of the
Financial statements


Eytan Levy
CEO and director


Lior Zittershpiller
Finance Manager

EMEFCY LTD.
STATEMENTS OF COMPREHENSIVE INCOME

	Six months ended June 30, 2015	Year ended December 31, 2014
	Reviewed	Audited
	In thousands	In thousands
Operating expenses:		
Research and development, net	\$ -	\$ 1,213
Marketing	48	72
General and administrative expenses	235	563
Operating loss	<u>283</u>	<u>1,848</u>
Finance income	60	60
Finance expense	<u>(45)</u>	<u>(232)</u>
Net loss	<u>268</u>	<u>2,020</u>
Other comprehensive loss	<u>-</u>	<u>-</u>
Total comprehensive loss for the period	<u>\$ 268</u>	<u>\$ 2,020</u>

The accompanying notes are an integral part of the financial statements.

EMEFCY LTD.
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

Six months ended June 30, 2015:

U.S. dollars in thousands (except share data)

	Ordinary shares		Preferred shares		Additional paid-in equity	Accumulated deficit	Total equity
	Number	Amount	Number	Amount			
Balance as of January 1, 2015 (Audited)	1,010,101	\$ 2	3,314,037	\$ 10	\$ 12,648	\$ (10,257)	\$ 2,403
Share-based compensation expenses	-	-	-	-	2	-	2
Total comprehensive loss	-	-	-	-	-	(268)	(268)
Balance as of June 30, 2015 (Reviewed)	<u>1,010,101</u>	<u>\$ 2</u>	<u>3,314,037</u>	<u>\$ 10</u>	<u>\$ 12,650</u>	<u>\$ (10,525)</u>	<u>\$ 2,137</u>

The accompanying notes are an integral part of the financial statements.

EMEFCY LTD.
STATEMENTS OF CHANGES IN SHAREHOLDERS EQUITY

Year ended December 31, 2014:

U.S. dollars in thousands (except share data)

	Ordinary shares		Preferred shares		Additional	Accumulated	Total
	Number	Amount	Number	Amount	paid-in capital	deficit	equity
	Audited						
Balance as of January 1, 2014	1,010,101	\$ 2	3,314,037	\$ 10	\$ 12,637	\$ (8,237)	\$ 4,412
Share-based compensation expenses	-	-	-	-	11	-	11
Total comprehensive loss	-	-	-	-	-	(2,020)	(2,020)
Balance as of December 31, 2014	<u>1,010,101</u>	<u>\$ 2</u>	<u>3,314,037</u>	<u>\$ 10</u>	<u>\$ 12,648</u>	<u>\$ (10,257)</u>	<u>\$ 2,403</u>

The accompanying notes are an integral part of the financial statements.

EMEFCY LTD.
STATEMENTS OF CASH FLOWS

	Six month ended June 30, 2015	Year ended December 31, 2014
	Reviewed	Audited
	In thousands	In thousands
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss for the period	\$ (268)	\$ (2,020)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	75	122
Loss on disposal of property and equipment	-	9
Share-based compensation expenses	2	11
Decrease (Increase) in other accounts receivable	128	(160)
Decrease in accounts payable	(55)	(16)
Increase in other accounts payable and governmental liabilities on grants received	65	149
Finance expenses (income), net	(14)	172
Interest received (paid)	(2)	52
Net cash used in operating activities	<u>(69)</u>	<u>(1,681)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(2)	(212)
Proceeds from marketable securities, net	-	2,113
Capitalization of development expenses	(957)	(667)
Decrease (increase) in restricted cash	11	(18)
Decrease (increase) in long term lease deposits	-	(4)
Net cash provided by (used in) investing activities	<u>(948)</u>	<u>1,212</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Grants from governmental institutions	18	248
Net cash provided by financing activities	<u>18</u>	<u>248</u>
Exchange difference on cash and cash equivalents	16	(192)
Decrease in cash and cash equivalents	(999)	(221)
Cash and cash equivalents at beginning of the year	1,617	2,030
Cash and cash equivalents at the end of the year	<u><u>\$ 634</u></u>	<u><u>\$ 1,617</u></u>

The accompanying notes are an integral part of the financial statements.

EMEFCY LTD.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

NOTE 1 - GENERAL:

Emefcy Ltd. (the "Company") was incorporated and commenced its operations on November 12, 2007. The Company develops a low-cost, energy-efficient wastewater treatment and water reuse solutions. SABRE technology saves significant energy by eliminating the need to blow compressed air through the wastewater for aeration. EBR technology treats industrial wastewater while simultaneously generating electricity from the process.

The Company is devoting substantially all of its efforts toward research and development of its products. In the course of such activities, since inception, the Company incurred accumulated losses in the amount of \$ 10,525 thousand.

The Company is still in the development stage and financed its past losses by capital raisings. The Company's ability to continue its operations in long term is dependent upon additional financial support, until profitability is achieved. The Company is addressing its liquidity issues by seeking for additional fund raising.

There can be no assurance that the Company will be able to raise additional funds in the future or that its liquidity and capital resources will be sufficient to reach profitability.

NOTE 2 - BASIS OF PREPARATION:

These condensed interim financial statements for the six months ended 30 June 2015 have been prepared in accordance with IAS 34, 'Interim financial reporting'. The condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2014, which have been prepared in accordance with IFRS.

This condensed interim financial information is reviewed and not audited.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES:

Significant accounting policies and computation methods used in preparing the interim financial information are consistent with those used in preparing the 2014 annual financial statements.

New IFRSs in the period prior to their adoption

IFRS 9 Financial Instruments:

In July 2014, the IASB issued the final and complete version of IFRS 9, "Financial Instruments" ("IFRS 9"), which replaces IAS 39, "Financial Instruments: Recognition and Measurement". IFRS 9 mainly focuses on the classification and measurement of financial assets and it applies to all assets in the scope of IAS 39.

According to IFRS 9, all financial assets are measured at fair value upon initial recognition. In subsequent periods, debt instruments are measured at amortized cost only if both of the following conditions are met:

EMEFCY LTD.
NOTES TO THE INTERIM FINANCIAL STATEMENTS

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

New IFRSs in the period prior to their adoption (Cont.):

- the asset is held within a business model whose objective is to hold assets in order to collect the contractual cash flows.
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent measurement of all other debt instruments and financial assets should be at fair value. IFRS 9 establishes a distinction between debt instruments to be measured at fair value through profit or loss and debt instruments to be measured at fair value through other comprehensive income.

Financial assets that are equity instruments should be measured in subsequent periods at fair value and the changes recognized in profit or loss or in other comprehensive income (loss), in accordance with the election by the Company on an instrument-by-instrument basis. If equity instruments are held for trading, they should be measured at fair value through profit or loss.

According to IFRS 9, the provisions of IAS 39 will continue to apply to de-recognition and to financial liabilities for which the fair value option has not been elected.

According to IFRS 9, changes in fair value s of financial liabilities which are attributable to the change in credit risk should be presented in other comprehensive income. All other changes in fair value should be presented in profit or loss.

IFRS 9 also prescribes new hedge accounting requirements.

IFRS 9 is to be applied for annual periods beginning on January 1, 2018. Early adoption is permitted.

The Company is evaluating the possible impact of IFRS 9 but does not anticipate having a material impact on the financial statements.

IFRS 15 – "Revenue from Contracts with Customers" (hereafter – IFRS 15)

Upon first time application, IFRS 15 shall replace other IFRS provisions relating to revenue recognition. The core principle of IFRS 15 is that an entity will recognize 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.

IFRS 15 sets out a single revenue recognition model, according to which the entity shall recognize revenue in accordance with the said core principle by implementing a five-step model framework:

- 1) Identify the contract(s) with a customer
- 2) Identify the performance obligations in the contract
- 3) Determine the transaction price

EMEFCY LTD.
NOTES TO THE INTERIM FINANCIAL STATEMENTS

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

New IFRSs in the period prior to their adoption (Cont.):

4) Allocate the transaction price to the performance obligations in the contract

5) Recognize revenue when the entity satisfies a performance obligation.

IFRS 15 provides guidance about various issues related to the application of the said model, including: recognition of revenue from variable consideration set in the contract, adjustment of the price of transaction set in the contract in order to reflect the effect of the time value of money and costs to obtain or fulfill a contract.

IFRS 15 extends the disclosure requirements regarding revenue and requires, among other things, that entities disclose qualitative and quantitative information about significant judgments made by management in determining the amount and timing of the revenue.

The standard shall be applied retrospectively for annual reporting periods starting on January 1, 2017 or thereafter, taking into account the reliefs specified in the transitional provisions of IFRS 15. Under these provisions, early adoption of the standard is allowed. The Company does not anticipate that the implementation of IFRS 15 will have material impact on the financial statements.

NOTE 4 - SUBSEQUENTLY EVENTS:

A. Savcor Transaction

On July 20th, 2015 the Company entered into a binding term sheet ("the Terms Sheet") with Savcor Group Limited [ASX:SAV] ("Savcor"), an Australian public Company.

Under the Terms Sheet, Savcor will acquire all of the issued share capital of the Company from the Company's shareholders for consideration comprised of:

1. 65,000,000 ordinary Savcor shares issued on completion at a deemed issue price of a AUD 0.20 (20 cents) per share together with a right to receive up to 45,000,000 deferred consideration shares subject to the satisfaction of the milestones described in the Terms Sheet;
2. A cash payment of \$ 1,000 thousand on completion;
3. The issue by Savcor of a redeemable non-convertible interest-free note with a face value of \$ 2,000 thousand which redeemable subject to the satisfaction of the milestones described in the Term Sheet.

B. Employees Options

On July, 15th, 2015 the Company's board of directors approved the granting of 50,000 options at an exercise price of \$1.56 to employees in respect to their services to the Company. The default vesting schedule is for 25% to vest one year from commencement date, and an additional 6.25% thereof to vest at the end of each successive 3 months period thereafter, subject to continued employment of service.

EMEFCY LTD.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

NOTE 4 - SUBSEQUENTLY EVENTS (CONT.):

C. Bridge Loan

On July 17th, 2015 the Company entered into a Convertible Bridge Loan Agreement ("the Agreement") with some of its shareholders ("the Investors"). Under the Agreement, the Investors will transfer to the Company \$ 800 thousand in four equal installments in accordance with certain milestones set out in the Agreement. The Convertible Bridge Loan bears no interest rate.

The Agreement also provides a pledge of all tangible and intangible assets of the Company to the Investors. If and when the Savcor transaction will occur, the Convertible Bridge Loan will be converted into 355,554 Preferred C shares, and all pledges will be reversed immediately.