



Emefcy Group Limited (ASX: EMC) ASX Appendix 4C Statement of Cash Flows – December Q 2016

January 30, 2017

Melbourne, Australia and Caesarea, Israel: Emefcy Group Limited (ASX: EMC) is pleased to release the attached ASX Appendix 4C Statement of Cash Flows – December Quarter 2016.

Key achievements since 1 October 2016:

Emefcy made significant progress during the quarter in implementing the strategy to become a major supplier of MABR wastewater treatment solutions to rural villages in China:

Key strategic partnership distribution agreements for China:

- Beijing Sinorichen Environmental Protection Corp. Ltd. (“Sinorichen”), a leading firm specialising in wastewater treatment consulting and engineering services, throughout Beijing Province and Northern China;
- 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;
- China Gezhouba Group Investment Holding Co.,Ltd, (CGGC INV), a highly regarded global engineering group, is considering the utilisation up to 10,000 Membrane Aerated Biofilm Reactor (MABR) Modules in the Hubei, Hebei, and Guangdong Provinces in rural China in initial projects under negotiation.

These agreements are in addition to the strategic partnership established during the September quarter with Wuxi Municipal Design Institute.

Corporate structure and key appointments:

- A wholly owned subsidiary has been established in Hong Kong: “Emefcy Hong Kong Limited”;
- The Company is well advanced in incorporating a Wholly Foreign Owned Entity in mainland China;
- A Technical Director for China has been appointed, undergone extensive training in Israel and is now working in China. A technical team has also been hired.

Manufacturing premises secured

As previously reported, Emefcy has signed an agreement to join the Changzhou Industrial Park in Jiangsu province, located an hour's train journey from Shanghai. The multi-year agreement includes a non-dilutive incentive package from the provincial government.

The lease period is four years commencing on February 10th 2017, to enable staff training and site preparation during the first quarter of calendar 2017 and anticipated arrival of the new China production line in the third quarter of calendar 2017.

The production facility comprises 3,200 square metres of floor space, which when fully set up, is sufficient to accommodate four production lines. The facility will enable Emefcy to rapidly increase production to meet anticipated demand from China and overseas.

The footprint of operating Emefcy MABR wastewater treatment solutions is expanding

The Company now has MABR plants operating in Israel, USVI and China with a further full scale plant to be installed in Ethiopia. Demonstration plants for Sinorichen, Jinzi and CGGC in China are due to be installed in Q1/Q2 2017.

Business update for the quarter

The construction and installation of the first North American Emefcy MABR wastewater treatment plant in the rural community of Bordeaux in St Thomas, US Virgin Islands was completed and commissioning commenced.

The business model for Water Reuse as a Service ("RaaS") has been extensively refined based on market research. California, which has been suffering from drought conditions for an extended period, is seen as an ideal target market for RaaS and lead generation is underway.

Emefcy's R & D program continues with a full scale working model of SUBRE – designed for installation in large existing municipal wastewater treatment facilities – currently undergoing field trials.

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

- Cash and cash equivalents at 31 December were USD 23.0M (30 Sep USD 25.4M).
- Net cash used in operating activities of USD 2.4M was comparable with the September quarter (USD 2.3M) and included increased manufacturing production volumes and China establishment costs.
- Net cash from financing activities of USD 202k was raised from the exercise of all remaining unlisted A\$0.06 cent options.
- 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

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")

31st December 2016

Consolidated statement of cash flows	Current quarter \$USD'000	Year to date (12 months) \$USD'000
1. Cash flows from operating activities		
1.1 Receipts from customers	35	498
1.2 Payments for		
(a) research and development	(255)	(1,102)
(b) product manufacturing and operating costs	(959)	(1,924)
(c) advertising and marketing	(67)	(257)
(d) leased assets	(62)	(204)
(e) staff costs	(579)	(2,146)
(f) administration and corporate costs	(519)	(2,010)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	3	20
1.5 Interest and other costs of finance paid	(2)	(4)
1.6 Income taxes paid	-	-
1.7 Government royalties	-	(16)

Consolidated statement of cash flows		Current quarter \$USD'000	Year to date (12 months) \$USD'000
1.8	Other (provide details if material)	-	-
1.9	Net cash from / (used in) operating activities	(2,405)	(7,145)

2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) property, plant and equipment	(18)	(148)
	(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)	-	-
2.6	Net cash from / (used in) investing activities	(18)	(148)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	-	22,796
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	202	357
3.4	Transaction costs related to issues of shares, convertible notes or options	-	(188)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	(1,000)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	(21)
3.10	Net cash from / (used in) financing activities	202	21,944

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of quarter/year to date	25,409	8,511
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,405)	(7,145)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(18)	(148)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	202	21,944
4.5	Effect of movement in exchange rates on cash held	(202)	(176)
4.6	Cash and cash equivalents at end of quarter	22,986	22,986

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$USD'000	Previous quarter \$USD'000
5.1	Bank balances	22,986	25,409
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	22,986	25,409

6. Payments to directors of the entity and their associates

6.1 Aggregate amount of payments to these parties included in item 1.2

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
195
-

Salaries, 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

Current quarter \$USD'000
-
-

7.1 Aggregate amount of payments to these parties included in item 1.2

7.2 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

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8. Financing facilities available
Add notes as necessary for an understanding of the position

Total facility amount at quarter end \$USD'000	Amount drawn at quarter end \$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.

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9. Estimated cash outflows for next quarter		\$USD'000
9.1	Research and development	255
9.2	Product manufacturing and operating costs	357
9.3	advertising and marketing	186
9.4	Leased assets	62
9.5	Staff costs	978
9.6	Administration and corporate costs	425
9.7	Other	193
9.8	Total estimated cash outflows	2,455

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	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: 30 January 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.