

INTERIM FINANCIAL REPORT FOR THE HALF YEAR ENDED 31ST DECEMBER 2016

CONTENTS TO FINANCIAL REPORT

Corporate information	2
DIRECTORS' REPORT	3
INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	5
INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION.....	6
INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	7
INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS.....	8
NOTES TO THE INTERIM FINANCIAL STATEMENTS	9
Note 1 General Information.....	9
Note 2 Basis of preparation and changes to the Groups accounting policies	9
Note 3 Significant Accounting Policies.....	9
Note 4 Profit for the year - revenue.....	12
Note 5 Profit for the year - expenses	12
Note 6 Income Tax.....	13
Note 7 Cash and Cash Equivalents	13
Note 8 Trade and Other Receivables.....	13
Note 9 Other Financial Assets	14
Note 10 Intangible Assets	14
Note 11 Provisions.....	15
Note 12 Issue of Capital.....	15
Note 13 Earnings per share	17
Note 14 Operating Segments	17
Note 15 Cash Flow Information	18
Note 16 Related Party Transactions	18
Note 17 Controlled Entities	19
Note 18 Contingent Liabilities and Contingent Assets	19
Note 19 Events after the reporting period	19

Corporate information

Registered Office and Principal Place of Business:

Level 9
406 Collins Street
Melbourne Victoria

Directors:

Mr. David H Craig – Chairman and Executive Director
Mr. Chris Baring-Gould – Non Executive Director
Ms. Cathy W Lin – Executive Director

Secretary:

Cathy W Lin C.A.

Auditor:

Margaret Salter F.C.A.
Chartered Accountant
P O BOX 194
Doncaster, Vic, 3108

Share registry:

Boardroom Pty Limited
Level 7, 207 Kent Street, Sydney NSW 2000

Stock exchange listing:

Endless Solar Corporation Limited ordinary limited voting shares are listed
on the National Stock Exchange Australia
(code: ESCLV)

DIRECTORS' REPORT

The directors of Endless Solar Corporation Limited submit their report of the company for half-year ended 31 December 2016.

Directors

The names and particulars of the directors of the company during or since the end of the half-year are:

Name, qualifications and responsibilities	Experience
Mr David H. A. Craig Bachelor of Economics (Monash) Executive Director & Chairman	David has over 30 years experience in management of property and investment companies, and is a member of the Financial Services Institute of Australasia (FINSIA). David is also a Director of ASX-listed company - Authorised Investment Fund Limited.
Mr Chris Baring-Gould BBusAcc, MBA, CPA Non-executive Director	Chris's professional experience is diverse. He has served as Group Financial Controller at JB Were & Son, General Manager of a stock broking subsidiary of the Equity and Property Investment Group and since 1999 has served as Chief Finance Officer at Anglicare Victoria. He also is an independent member of the Funds-in-Court Audit Committee (Supreme Court of Victoria).
Ms Cathy W Lin B.Com, C.A. Executive Director & Company Secretary (appointed on 21st March 2014)	Cathy is a Chartered Accountant with a strong accounting and taxation focus. She has over ten years' experience in small professional accounting firms. Cathy joined the Group in 2011 and was appointed as Company Secretary on 3 rd March 2014. Cathy was invited to join the Board on 21 st March 2014.

The directors held office during the entire period unless otherwise stated.

Review and results of operations

The Group experienced a very challenging economic environment during the half-year. Sales revenue for the half-year was down to \$91,671 (2015: \$157,498).

Total comprehensive loss from continuing operations after income tax for the half-year was (\$158,565) (2015 total comprehensive loss: (\$183,094)).

Rounding

The amounts contained in this report and in the financial report have not been rounded.

Auditors Independence Declaration

We have obtained the following independence declaration from our auditor, Margaret Salter.



MMS Consulting Pty Ltd
Chartered Accountants
ABN 15 131 024 158

P.O. Box 194
Doncaster Vic 3108

The Board of Directors
Endless Solar Corporation Limited
Level 9, 406 Collins Street
MELBOURNE VIC. 3000

15 March 2017

Dear Board members

Endless Solar Corporation Limited

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Endless Solar Corporation Limited.

As the auditor responsible for the review of the financial statements of Endless Solar Corporation Ltd for the half-year ended 31 December 2016, I declare that to the best of my knowledge and belief there has been no contraventions of:

- (i) the auditor independence requirements as set out in the *Corporations Act 2001*; or
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

A handwritten signature in dark ink, appearing to read "M Salter", is written over a light blue horizontal line.

Margaret M Salter FCA

This Directors report is signed in accordance with a resolution of the directors.

A handwritten signature in dark ink, appearing to read "D.H.A. Craig", is written over a light blue horizontal line.

D.H.A. Craig
Director

Melbourne, 15 March 2017

**INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 31 DECEMBER 2016**

		31 December	
		2016	2015
	Note	\$	\$
Continuing operations			
Sales Revenue	4	91,671	157,498
Cost of Sales	5	(40,710)	(99,646)
		<hr/>	<hr/>
Gross Profit		50,961	57,852
Other income	4	212,120	247,452
Administration expenses		(402,098)	(489,068)
Depreciation Expense		(2,702)	(3,600)
Finance costs	5	-	(890)
Other expenses		(16,922)	-
		<hr/>	<hr/>
		(421,722)	(493,558)
Profit before tax		(158,641)	(188,254)
Income tax (expense) / benefit	6	76	5,160
		<hr/>	<hr/>
PROFIT FOR THE PERIOD		(158,565)	(183,094)
		<hr/>	<hr/>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		(158,565)	(183,094)
		<hr/>	<hr/>

Earnings per share:

13

From continuing operations

Basic (cents per share) (0.400162)cps (0.462067)cps

Diluted (cents per share) (0.400162)cps (0.462067)cps

There were no discontinued operations during the period.

-

-

There were no dividends declared during the period.

-

-

The accompanying notes form part of these financial statements.

**INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016**

	Note	31 December 2016 \$	30 June 2016 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	7	12,709	1,618
Trade and other receivables	8	230,437	11,186
Inventories		109,487	134,092
Other assets		5,364	10,731
TOTAL CURRENT ASSETS		<u>357,997</u>	<u>157,627</u>
NON-CURRENT ASSETS			
Trade and other receivables	8	261,423	140,312
Other financial assets	9	680,108	680,108
Property, plant and equipment		38,924	41,624
Deferred tax assets	6	299,528	229,452
Intangible assets	10	3,129,456	2,827,849
TOTAL NON-CURRENT ASSETS		<u>4,409,439</u>	<u>3,989,345</u>
TOTAL ASSETS		<u><u>4,767,436</u></u>	<u><u>4,146,972</u></u>
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		401,770	266,112
Borrowings		-	-
Current tax liabilities		-	-
Provisions	11	33,518	42,691
TOTAL CURRENT LIABILITIES		<u>435,288</u>	<u>308,803</u>
NON-CURRENT LIABILITIES			
Loan from associates		1,082,215	711,215
TOTAL NON-CURRENT LIABILITIES		<u>1,082,215</u>	<u>711,215</u>
TOTAL LIABILITIES		<u>1,517,503</u>	<u>1,020,018</u>
NET ASSETS		<u><u>3,249,933</u></u>	<u><u>3,126,954</u></u>
EQUITY			
Issued capital	12	2,278,627	2,278,627
Capital Development Reserve		265,812	265,812
Investment Revaluation Reserve		245,735	245,735
Retained earnings		459,759	336,780
TOTAL EQUITY		<u><u>3,249,933</u></u>	<u><u>3,126,954</u></u>

The accompanying notes form part of these financial statements.

**INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 31 DECEMBER 2016**

	Ordinary Shares	Retained Earnings	Capital Development Reserve*	Investment Revaluation Reserve	Total
	\$	\$	\$		\$
Balance at 1 July 2016	2,278,627	336,780	265,812	245,735	3,126,954
Comprehensive income					
Loss for the half year	-	(158,565)	-		(158,565)
Other comprehensive income for the half year				-	-
Recognition of prior year R&D tax claim		281,544	-	-	281,544
Balance at 31 December 2016	2,278,627	459,759	265,812	245,735	3,249,933
Balance at 1 July 2015	2,278,627	553,780	265,812	245,735	3,343,924
Comprehensive income					
Profit for the half year	-	(183,094)	-		(183,094)
Other comprehensive income for the half year					-
Total comprehensive income for the half year	-	(183,094)	-	-	(183,094)
Balance at 31 December 2015	2,278,627	370,656	265,812	245,735	3,160,830

The accompanying notes form part of these financial statements

**INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2016**

	Note	31 December 2016 \$	30 June 2016 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipt from customers		80731	246,356
Payment to suppliers and employees		(424,436)	(725,275)
Interest received		3,809	374
Government grant received		-	247,452
Taxes refund/(paid)		-	-
Net cash provided by/(used in) operating activities	15	(339,896)	(231,093)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		-	(992)
Payment for Research & Development activities		-	(204,317)
Payment for patents		(20,013)	(48,757)
Payment for trademark		-	-
Net cash provided by/(used in) investing activities		(20,013)	(254,066)
CASH FLOWS FROM FINANCING ACTIVITIES			
Capital contribution received		-	-
Long term borrowing		371,000	411,215
Repayment of borrowings		-	-
Net cash provided by/(used in) financing activities		371,000	411,215
Net increase/(decrease) in cash held		11,091	(73,944)
Cash and cash equivalents at beginning of financial year		1,618	75,562
Cash and cash equivalents at end of financial year	7	12,709	1,618

The accompanying notes form part of these financial statements.

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

Note 1 General Information

The interim consolidated financial statements of Endless Solar Corporation Limited and its subsidiaries (the Group) for the six months ended 31 December 2016 were authorised for issue in accordance with a resolution of the directors on 15 March 2017.

Endless Solar Corporation Limited is a for-profit listed public company, incorporated and domiciled in Australia. The registered office and principal place of business of the company is:

Level 9, 406 Collins Street, Melbourne VIC 3000

The principal activities of the Group during the course of the financial year were the supply and design of evacuated tube solar hot water systems, and related research and development activities.

Note 2 Basis of preparation and changes to the Groups accounting policies **Basis of preparation**

The interim consolidated financial statements for the six months ended 31 December 2016 have been prepared in accordance with AASB 134 Interim Financial Reporting.

The interim consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 30 June 2016.

Changes in accounting policies, accounting standards and interpretations

The accounting policies adopted in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 30 June 2016. In addition, the Group has adopted all new and amended Australian Accounting Standards and Interpretations effective from 1 July 2015 including:

- *AASB 2016-3 Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality*

New and amended Standards and Interpretations did not result in any significant changes to the Group's accounting policies. The Group has not elected to early adopt any other new or amended Standards or Interpretations that are issued but not yet effective.

Note 3 Significant Accounting Policies

(a) Financial assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on re-measurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item.

Available for sale financial assets

Listed shares held by the Group that are traded in an active market are classified as AFS and are stated at fair value. The Group also has investments in unlisted shares that are not traded in an active market but that are also classified as AFS financial assets and stated at fair value (because the directors consider that fair value can be reliably measured).

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

(b) Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

(c) Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

(d) Equity-settled compensation

The group operates a share-based compensation plans comprising a share option arrangement. The bonus element over the exercise price of the employee services rendered in exchange for the grant of shares and options is recognised as an expense in the income statement. The total amount to be expensed over the vesting period is determined by reference to the fair value of the shares of the options granted.

(e) Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

(f) Intangible assets

Internally-generated intangible assets - research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred. An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;

- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

(g) Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. 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 which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(h) Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current half-year.

Note 4 Profit for the year - revenue

For the six months ended 31 December
2016 2015
\$ \$

(a) Revenue from continuing operations

Sales revenue

- Sale of Goods

79,942 135,657

Total sales revenue

79,942 135,657

Other revenue

- interest received

3,809 39

- rental revenue

7,920 13,000

- other

- 8,800

Total other revenue

11,729 21,839

Total sales revenue and other revenue

91,671 157,498

Other income

- Research and Development Tax

Subsidies

212,120 247,452

Total other income

212,120 247,452

Note 5 Profit for the year - expenses

For the six months ended 31 December

2016 2015
\$ \$

Expenses

Cost of sales

40,710 99,646

Interest expense on financial liabilities
not at fair value through profit or loss:

- Insurance funding

- 890

Total interest expense

- 890

Employee benefits expense:

- contributions to superannuation
funds

9,438 14,973

Rental expense on operating leases

- minimum lease payments

94,994 62,228

Note 6 Income Tax

The Group calculates the period income tax using the tax rate applicable to expected total earnings. The major components of income tax expense in the interim profit or loss are:

	For the six months ended 31 December	
	2016	2015
	\$	\$
Prima facie (tax)/benefit at 28.50% (2015: 28.5%)	45,213	53,652
Add back tax benefit from non-taxable R&D subsidies	60,454	70,523
Income tax (expense)/credit	105,667	124,175
Deferred income tax related to origination and reversal of deferred taxes	(105,591)	(119,017)
Income tax benefit recognised in the statement of profit or loss	76	5,160
Deferred Tax Assets		
Opening balance at the beginning of the period	299,452	116,221
Closing balance at the end of the period	299,528	121,380

31 December 2016	30 June 2016
\$	\$

Note 7 Cash and Cash Equivalents

Cash at bank and on hand	12,709	1,618
	12,709	1,618

Note 8 Trade and Other Receivables

CURRENT		
Trade receivables	18,317	11,186
Research & Development Tax Subsidy	212,120	-
	230,437	11,186
NON-CURRENT		
Rental bond	67,552	42,625
	67,552	42,625
Amounts receivable from related parties		
- Other related parties	193,871	97,687
Total non-current trade and other receivables	261,423	140,312

Note 9 Other Financial Assets

Listed shares held by the Company that are traded in an active market are stated at fair value. The company also has investments in unlisted shares that are not traded in an active market but that also stated at fair value.

	31 December 2016 \$ Carrying amount	2016 \$ Fair value	30 June 2016 \$ Carrying amount	2016 \$ Fair value
NON CURRENT				
Available-for-sale financial assets	680,108	680,108	680,108	680,108
Total Non-current Assets	680,108	680,108	680,108	680,108

Available-for-sale financial assets

NON CURRENT

Listed investments, at costs

- shares in listed corporations	338,467	338,467	338,467	338,467
- impairment of investment	(57,217)	(57,217)	(57,217)	(57,217)
- fair value	281,250	281,250	281,250	281,250

Unlisted investments, at fair value

- shares in other corporations	266,400	266,400	266,400	266,400
- shares in other related parties	132,458	132,458	132,458	132,458
- fair value	398,858	398,858	398,858	398,858

Total non-current available-for-sale financial assets

680,108	680,108	680,108	680,108
---------	---------	---------	---------

Note 10 Intangible Assets

	31 December 2016 \$	30 June 2016 \$
Integrated thermal device ("CoolSolar")	846,708	846,708
Research & Development in 2013	400,592	400,592
Research & Development in 2014	376,469	376,469
Research & Development in 2015-2016	1,027,874	746,280
Patent costs	349,622	329,609
Goodwill		
- Cost	121,847	121,847
- Net carrying amount	121,847	121,847
Trademarks and licences		
- Cost	6,344	6,344
- Net carrying amount	6,344	6,344
Total intangible assets	3,129,456	2,827,849

Goodwill represents the cost of assets acquired from a Related Party under an Asset Sale Agreement dated 29 June 2007 for consideration of \$150,000 less non capital cost of \$28,153, satisfied by the issue of 15 million Preference shares - subsequently converted into Limited Voting Ordinary Shares. The carrying value is \$121,847.

The Directors have reviewed the Goodwill valuation and consider that the valuation is adequate to reflect the level of Goodwill within the Company and therefore no impairment is required.

“CoolSolar” Project Costs and Valuation

The value of the “CoolSolar” project has been recorded in the 2013 ESC annual accounts at actual costs. The Board is of the view that the valuation of the project is conservative. The valuation is embodied in provisional patents lodged during the 2012 and 2013 financial year.

The Group is seeking further advice regarding the worldwide geographic scope of the patent operation. Advice received so far suggests that the potential benefits of the patent are encouraging. Therefore the directors believe that the net carrying value is not impaired.

The value of the “Cool Solar” project has been carried forward in the ESC 2016 Consolidated Accounts at actual cost.

Independent Reviews of the Company’s 4 PCT’s have found each of them to be novel and innovative. We have now commenced the process of applying for patents in the countries or areas covering the main world air-conditioning markets.

Note 11 Provisions

	31 December 2016	30 June 2016
	\$	\$
Warranty	21,613	21,613
Short-term Employee Benefits	5,745	2,078
Audit fees	6,160	19,000
TOTAL	33,518	42,691

Provision for Warranties

The Provision for Warranty has been recognised having regard to empirical indicators of repairs and replacements historically carried out under Product guarantees.

Note 12 Issue of Capital

1,699,074 fully paid ordinary shares – full voting (30 June 2015: 1,699,074)	120,666	120,666
37,926,021 fully paid ordinary shares – Limited voting (30 June 2015: 37,926,021)	2,157,960	2,157,960
	2,278,626	2,278,626

Note 12 Issue of capital (continued)

(a) Ordinary shares

<i>Ordinary share – full voting</i>	31 December 2016 No of share	31 December 2015 No of share	31 December 2016 \$	31 December 2015 \$
Opening balance at the beginning of the year	1,699,074	1,699,074	120,666	120,666
Extra shares issued through Right Issues during the year	-	-	-	-
Closing balance at the end of the year	1,699,074	1,699,074	120,666	120,666

<i>Ordinary share – limited voting*</i>	31 December 2016 No of shares	31 December 2015 No of shares	31 December 2016 \$	31 December 2015 \$
Opening balance at the beginning of the year	37,926,021	37,926,021	2,157,961	2,157,961
Extra shares issued through Right Issues during the year	-	-	-	-
Closing balance at the end of the year	37,926,021	37,926,021	2,157,961	2,157,961

*Only ordinary limited voting shares were listed on the National Stock Exchange Australia on 20th January 2014.

(b) Options

Scheme Name	Grant date	Number of shares under options	Class of shares	Exercise price of option	Expiry date	Opening balance of Options at 01.07.2016	Options exercised during the year	Closing balance as at 31.12.2016
ESC Option Scheme 2	13/08/2013	10,000,000	Ordinary limited voting	\$0.22	20/06/2019	10,000,000	-	10,000,000
Options attached to April 2012 Right Issue shares	04/04/2012	10,225,616	Ordinary limited voting	\$0.10	31/03/2017	10,225,616	-	10,225,616
Options attached to April 2012 Right Issue shares	04/04/2012	471,966	Ordinary full voting	\$0.10	31/03/2017	471,966	-	471,966
Options attached to September 2013 Right Issue shares	28/09/2013	6,149,337	Ordinary limited voting	\$0.15	31/07/2018	6,149,337	-	6,149,337
Options attached to September 2013 Right Issue shares	28/09/2013	283,179	Ordinary full voting	\$0.15	31/07/2018	283,179	-	283,179
ESC Option Scheme 3	01/09/2014	15,000,000	Ordinary limited voting	\$0.22	31/08/2020	-	-	15,000,000
		42,130,098				27,130,098	-	42,130,098

These options listed above are not listed in the National Stock Exchange Australia,

There is no valuation of the above options has been done prior to 31 December 2016 and prior to the report date. The latest share price per ordinary limited voting share in NSX was \$0.060.

Note 13 Earnings per share

	31 December 2016 Cents per share	31 December 2015 Cents per share
Basic Earnings per share from continuing operations	(0.400162)	(0.462067)
	31 December 2016 \$	31 December 2015 \$
Profit (loss) for the year attributable to owners and used in the calculation of basic earnings per share	(158,565)	(183,094)
	No. of Shares	No. of Shares
Weighted average number of ordinary shares (voting and limited voting)	39,625,095	39,625,095

Note 14 Operating Segments

Segment Information

The company and its controlled entities operate in Australia, and in the same business segment of solar energy.

Note 15 Cash Flow Information

	31 December 2016 \$	30 June 2016 \$
Reconciliation of Cash Flow from Operations with Profit after Income Tax		
Net Loss after income tax	(158,565)	(216,970)
Less unrealised investment gain	-	-
	<u>(158,565)</u>	<u>(216,970)</u>
Cash flows excluded from profit attributable to operating activities		
Finance costs on debentures		
Non-cash flows in calculating profit		
Depreciation	2,702	7,535
R&D Written Off	-	62,242
Stock Written Off	16,922	-
Change in assets and liabilities		
(Increase)/decrease in trade and other receivables	(340,413)	(36,924)
(Increase)/decrease in inventories	7,683	105,703
(Increase)/decrease in financial assets	-	136
(Increase)/decrease in other assets	5,366	15,236
(Increase)/decrease in deferred taxes assets	(76)	(183,231)
Increase/(decrease) in creditors and other liabilities	135,658	28,809
Increase/(decrease) in provisions	(9,173)	(13,618)
Cash flow from operations	<u>(339,896)</u>	<u>(231,093)</u>

Note 16 Related Party Transactions

Transactions between related parties are on normal commercial terms and conditions and are no more favourable than those available to external parties unless otherwise stated. Note 8 refers to trade and other amounts receivable from related parties.

Note 17 Controlled Entities

Endless Solar Corporation Ltd is the parent company, which control the below entities through equity investment. Except for Endless Solar Operations Pty Ltd is currently trading, all the other entities have not been trading during 2015 and 2016 financial years.

Name	Country of Incorporation	Shares	Ownership Interest		Carrying Amount of Investment	
			2016 %	2015 %	2016 \$	2015 \$
Unlisted:						
Endless Solar Operations Pty Ltd	Australia	Ord	100	100	100	100
Endless Solar Technology Pty Ltd	Australia	Ord	100	100	100	100
Renewable Energy Exchange Pty Ltd	Australia	Ord	100	100	2	2
Endless Energy Solutions Pty Ltd	Australia	Ord	60	60	600	600
Endless Aqua Pty Ltd	Australia	Ord	63	63	25	25
Plumbers Federation Ltd	Australia	Ord	60	60	132,548	132,548

Note 18 Contingent Liabilities and Contingent Assets

There are no contingent liabilities or contingent assets of a material nature as at balance date.

Note 19 Events after the reporting period

There have been no significant events after the interim period.

DIRECTORS' DECLARATION

The directors of Endless Solar Corporation Limited declare that:

1. the financial statements and notes, as set out on pages 5 to 19, are in accordance with the *Corporations Act 2001* including:
 - a) complying with Accounting Standards in Australia and the *Corporations Regulations 2001*; and
 - b) (b) give a true and fair view of the financial position as at 31 December 2016 and performance for the six months ended on that date of the company and the economic entity;
2. the Managing Director and Chief Financial Officer have declared that:
 - a) the financial records of the company for the financial year have been properly maintained in accordance with section 286 of the *Corporations Act 2001*;
 - b) the financial statements and notes for the six months ended comply with the Accounting Standards; and
 - c) the financial statements and notes for the six months ended give a true and fair view.
3. in the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.



D.H.A. Craig
Director

Dated this 15th day of March 2017



MMS Consulting Pty Ltd
Chartered Accountants
ABN 15 131 024 158

P.O. Box 194
Doncaster Vic 3108

**INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF ENDLESS SOLAR CORPORATION LIMITED**

Report on the Half-Year Financial Report

I have reviewed the accompanying half-year financial report of Endless Solar Corporation Ltd, which comprises the consolidated statement of financial position as at 31 December 2016, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express a conclusion on the half-year financial report based on my review. I conducted my review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, I have become aware of any matter that makes me believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Endless Solar Corporation Ltd, ASRE 2410 requires that I comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable me to obtain assurance that I would become aware of all significant matters that might be identified in an audit. Accordingly, I do not express an audit opinion.

Independence

In conducting my review, I have complied with the independence requirements of the *Corporations Act 2001*. I confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Endless Solar Corporation Ltd, would be in the same terms if given to the directors as at the time of this auditor's report.

Conclusion

Based on my review, which is not an audit, I have not become aware of any matter that makes me believe that the half-year financial report of Endless Solar Corporation Ltd is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Margaret M Salter FCA

Dated at Melbourne this 15th day of March 2017