



31 December 2019

ASX: IGE

## **Major USA Transaction Finalised**

- **Major Receivable from USA**
- **SGC Funding Update**

### **Major Transaction with USA Business Partner**

Integrated Green Energy Solutions Ltd (“IGES”) and GEP Fuel and Energy Indiana, LLC (“GEP”) are partners in the USA and together formed the entity trading as Integrated Green Partners LLC, (“IGP”). IGP is devoted to the processing of auto shredder residual (“ASR”) into a range of fuels and products, including EN590 (“Road Ready Diesel”), EN228 (Road Ready Petrol), Naphtha, Marine fuel and Marine Diesel Oil (“MDO”). ASR is produced as the result of the shredding of automobiles in a process where a hammermill acts as a giant tree chipper by grinding the materials fed into fist-size pieces. The shredding of automobiles results in a mixture of ferrous metal, non-ferrous metal (e.g. alloys of copper and aluminium) and shredder waste and it is this resultant shredder waste that is referred to as ASR. IGP has developed a logistics and operational process to take the ASR and remove the plastics that are then used with the IGES technology to produce fuels.

There have been some refinements to the plans between IGES and GEP since the agreement with GEP to build sites in the USA, starting in Camden Indiana was disclosed as a material contract in the 2017 prospectus released to the market. In addition to the quarterly and annual updates provided to shareholders, the most recent comprehensive update was provided to the market on 19 December 2018 which announced that a joint submission between IGES and GEP led to a permanent rezoning of the site to Heavy Industrial (I-2). This rezoning represents a major strategic advantage as it removes any time restriction and aligns with the objective of operating the site long-term.

The inaugural ASR to fuel site will still be located in Camden Indiana, USA. The current planning is that this site will see the construction of twenty-four 50 tonne per day (“TPD”) modules that are capable of processing 1200 TPD of ASR derived plastics into 420 million litres of fuel per annum. As it is larger than other IGES sites it provides a comparative upside as the fixed costs associated with the Camden site will be spread over a much larger production base thereby reducing the per-litre costs of fuel production.

In essence, the GEP partnership obligations continue to include:

- Procuring of the ASR derived plastics,
- Identification and securing of the site for construction,
- Securing site funding of US\$300 million.

As a result of recent meetings held with IGP in Houston Texas, a significant commercial transaction has been agreed in relation to the procurement of the IGES plastics to fuel modules. It was identified in the board meeting held 12 December 2019 that time was now of the essence with respect to the construction of the Indiana, USA site and therefore as an

inducement to prioritise this activity in the context of the IGES international roll-out plan, IGES would be paid a down-payment for initial module construction costs. The upfront-payment agreed is USD\$39,600,000.00 and forms part of the USD \$70,000,000.00 that will ultimately be paid to IGES for the 24 modules. IGES will generate an arm's length negotiated profit margin on the construction and supply of the modules to the IGP partnership. It was noted in the board minutes that IGP would endeavour to make the upfront payment prior to 31 January 2020 based on the funding secured by GEP as part of their partnership obligations. This date and amount have now been confirmed by GEP following discussions with their funders.

Mr Stephen Hogan, CEO GEP and CEO IGP said: "We are committed to getting the inaugural ASR to fuel site built in the immediate term. With funding secured and the site locked down it makes good commercial sense to prioritise the construction of the IGES technology. We are proud to work with IGES and are sure the IGP roll out will be a great commercial success and have an amazing impact on the environment".

The modules being constructed by IGES, will form part of the previously announced, USD\$300,000,000 construction of an ASR recycling plant in Camden Indiana whose main output will be road ready fuel, utilising the IGE's patented technology.

### **Funding Update**

IGE has considered the above transaction in the context of the funding update regarding Structured Growth Capital Inc ("SGC") announced on 26 November 2019. After reviewing short-term cash requirements, it is apparent that the above-mentioned USD\$39,600,000 down-payment could be utilised in the short term to fund Amsterdam and other projects whilst providing all deliverables for the Camden project on a timely basis. This decision is reinforced by the fact that there is limited construction activity in many parts of the world in late December/early January.

Further, utilising monies collected from this commercial transaction is preferable at this time to loan funds because:

- It reduces the company debt levels
- There is no interest component
- In the case of the SGC funding, it defers the repayment instalments due to commence 13 months from the initial draw-down
- The liability is represented by a deliverable that we can control utilising the company's resources
- The liability is to a business partner, rather than a financial institution

These considerations are significant as we have been advised that although it was expected that SGC funding would be provided in December 2019, a combination of factors have deferred this initial SGC draw-down to January 2020. The factors fundamentally relate to the challenges of finalising a major transaction with banks dealing across international borders over the Christmas/ New Year period. While the final funding package was released from our funder's banks in Hong Kong on Friday 20 December this meant that the transaction documentation landed off-shore on the eve of the Christmas/New Year period. With this timing SGC has advised that the international banking processing centres will be reopened in the new year and as such full funding will commence in January 2020. Mr Brian Engel, Managing Partner of SGC stated: "The IGES funding package is complete. As a result of the practicalities

of the impact on the international banking of the Christmas and New Year period, timing of the actual movement of funds will need to occur in January 2020.”

On the basis of the above and after discussions with Mr Brian Engel of SGC, it has been determined to accept that the first draw-down of SGC funds will be in January 2020. At this time an increased level of global development, recruitment and construction activity is planned as at approximately the same time, the USD\$39,600,000 down-payment for the 24 modules will be received.

Mr Brian Engel, Managing Partner of SGC stated: “It is IGES’s contractual obligation to receive funding of USD\$90,000,000.00 for the construction of plastics to fuel plants as part of their global expansion. Although SGC’s preference is to exclusively provide loan funding as soon as possible to IGES, after transparent discussions with IGES regarding the timing issues we encountered in the short term, we acknowledge that IGES may utilise the module down-payments receivable as an ancillary source of funds in the short term. As good business partners who hope to work with IGES on at least the next two rounds of funding, we have decided to support this approach and look forward to a long-term successful relationship with IGES as a key partner in their roll-outs across multiple international plants.”

### **About IGES**

IGES is focused on creating a cleaner planet for the next generation through the conversion of end of life plastic into valuable fuels. Plastic used in the process would otherwise be sent to landfill or be discarded into the environment. The Company has a patented plastic to fuels process that results in a range of fuels and products, including EN590 (Road Ready Diesel), EN228 (Road Ready Petrol), Naphtha, Marine fuel and Marine Diesel Oil (MDO). The specific products we provide from our range are determined by the territory requirements for each individual site location. The Company believes that utilising its technology will inevitably reduce the amount of plastic entering the environment. It will also help to develop circular economies, thereby creating a cleaner planet for the next generation, while bringing value to shareholders.

### **FOR FURTHER INFORMATION CONTACT:**

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