



28 February 2020

ASX: IGE

Commercial Dispute Correction

Integrated Green Energy Solutions Limited refers to the announcement titled “Commercial Dispute” released on 27 February 2020,

The board wishes to advise that where the announcement reads “We are advised that this latest approach is also flawed in contractual fact and that the pleadings of the plaintiff are believed to be inconsistent with the facts at hand”, it should read:

“We advise that this latest approach is also flawed in contractual fact and that the pleadings of the plaintiff are believed to be inconsistent with the facts at hand”.

The explanations, conclusions and opinions in the attached announcement are those of the board of directors who authorised its release.

The corrected announcement is attached.

FOR FURTHER INFORMATION CONTACT:

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ASX: IGE

Commercial Dispute

Introduction

The board of directors of Integrated Green Energy Solutions Ltd (“IGES” or “the Company”) advises that the Company is currently involved in a dispute with a foreign entity that is scheduled for a hearing in the Supreme Court of NSW. The dispute is in its early stages of proceedings with the initial directions hearing scheduled for 6 March 2020. The matter that has fallen into dispute is fundamentally the interpretation of an investment contract in relation to the ability of the foreign entity to exercise an option to have the investment repaid prior to its intended maturity. The plaintiff is claiming repayment of an amount of A\$10 million and interest totalling A\$1,070,650.68 to 11 November 2019 plus interest of A\$5,479.45 per day from 12 November 2019 onwards, in addition to 10% of the profits of the Amsterdam entity. The directors consider the legal claim against the Company to be very weak, with the principal repayment amount not in dispute and the dispute centering around the required timing of the repayment of principal and the interest calculation. The claim for profits is considered to have no substance whatsoever.

As disclosed in our recent market announcements, IGE’s key major funding sources relate to:

- (1) A commercial transaction with the US company Integrated Green Partners LLC (“IGP”) which results in a payment to IGES for US\$39.6 million in up-front module payments; and
- (2) The loan contract in place with Structured Growth Capital Inc (“SGC”) for the provision of US\$90 million in loan funding to IGES
- (3) A further capital raise to supplement the previous successful raises that generated an investment of A\$16.9 million.

Based on these and other funding sources, IGES has the capacity to repay the investment earlier than its contractual requirement, however, the directors do not currently see the benefit for shareholders in taking this approach.

Given the contractual nature of the dispute and the events leading up to this point, which will be explained below, the board of directors expect this dispute to be resolved prior to a court appearance being required. If a fair and amicable resolution is not achieved, the board of directors are committed to defending the Company’s rights and enforcing all elements of the law to protect the position of IGES and shareholders.

This non-conventional investment facility with a non-financial foreign institution came about as part of the Company’s recently highlighted funding strategy that necessitated attracting funding from parties other than traditional banks during its business start-up phase. This successful strategy was preferred over the approach of further diluting shareholder equity through a public raise.

Given the nature of the dispute, the entities involved and the events to date, the major issue is considered to be finalising the matter as expediently as possible to ensure Company resources are not wasted in the process of resolution.

Letter of Understanding

A Letter of Understanding (“LOU”) was entered into with the plaintiff in October 2018. The proceedings relate to a A\$10 million payment made by the plaintiff to Integrated Green Energy Amsterdam BV (“IGEA”) in relation to this LOU. The payment was made in instalments between November 2018 and February 2019. The full A\$10 million amount paid has been recognised as a liability in the books of the holding company.

The LOU gave the plaintiff an investment in IGEA which would provide MWH with a 10% interest in IGEA and accordingly 10% of the profits from the IGEA facility. This option was then rejected by the plaintiff. In the absence of adopting this investment approach, the A\$10 million payment was to attract an annual interest rate of 8.5% over a 4-year period, from June 2020 to June 2023, with repayments on the basis of the following table:

Financial Year	Opening Balance	Interest %	Interest \$	Principal Instalment	Total Payment	Closing Balance
Year to June 2020	\$ 10,000,000	8.5%	\$ 850,000	\$ 2,500,000	\$ 3,350,000	\$ 7,500,000
Year to June 2021	\$ 7,500,000	8.5%	\$ 637,500	\$ 2,500,000	\$ 3,137,500	\$ 5,000,000
Year to June 2022	\$ 5,000,000	8.5%	\$ 425,000	\$ 2,500,000	\$ 2,925,000	\$ 2,500,000
Year to June 2023	\$ 2,500,000	8.5%	\$ 212,500	\$ 2,500,000	\$ 2,712,500	-
			\$ 2,125,000	\$ 10,000,000	\$ 12,125,000	

Material Terms of Matter in Dispute

The plaintiff in the proceedings is a privately-owned foreign entity with a company registration in Singapore. The company is registered as Mac Wealth Holdings Pte Ltd (“MWH”). The foreign entity has as a local Singaporean director, Mr Wong Ying Cheeng.

Prior to and subsequent to the LOU, there have been a number of additional agreements between the parties. The additional agreements and the LOU specify a number of conditions precedent that are required to be fulfilled prior to any call being made to repay back the investment prior to June 2023. The dispute with MWH is centred around MWH now claiming that they have the right to recall the investment at any time, regardless of any circumstances as well as receive a 10% share of profits from IGEA. The position of IGES is that it is simply not the case and no share of profits is payable as the necessary conditions’ precedent for recognition as an investment in IGEA were not met. Similarly, the necessary conditions precedent for an early call on the principal have not been met.

It is apparent that the legal claim could be resolved via an early payment of the A\$10 million investment. IGES has the capacity to pay MWH early via its major funding sources. However, the directors do not currently see the benefit for shareholders in taking this approach.

As referred to above, there have been agreements reached subsequent to the LOU and progress was made in terms of reaching a satisfactory compromise and bringing the matter to conclusion. However, concurrent to this progress, MWH chose to also progress matters via the court system which the Directors of IGES will vigorously defend.

Background of Claimant

MWH is a privately-owned foreign company. A search undertaken by our global lawyers Dentons Australia Limited (“Dentons”) regarding this offshore entity indicates that there is no financial data lodged regarding current operating revenue, cash flow, assets or even shareholder funds in relation to MWH. Further, MWH has no actual office and rather only has a registered address at a Singaporean legal office. Finally, we are aware that the Singaporean

entity stripped all substantial assets from its ownership in Singapore on 6 January 2020, just subsequent to the commencement of these legal proceedings, leaving an empty foreign company shell as the plaintiff in this matter. That is, our global lawyers have been unable to determine if the foreign registered Singaporean entity has any assets or the means to proceed with a court proceeding, let alone meet the substantial cost orders associated with an adverse result which we expect to be made against it. To this end, IGES has requested the following from MWH:

- (1) A\$150,000 be paid into the Court as security or that otherwise arrangements be made to provide such security;
- (2) Detailed financial information given that company searches reveal no financial information exists for MWH, that the current financial position of MWH with supporting documents is unknown, and that for the period from 1 July 2018 to today we are unable to establish the financial position or if it holds any assets; and
- (3) Any other information evidencing MWH's financial capacity to proceed with this matter and meet any adverse cost orders.

History plus Flaws of Claim and Current Status

MWH originally presented IGES with a claim during late 2019 that was delivered by the legal firm Clayton Utz. This claim was then subsequently withdrawn after IGES engaged legal representation. MWH subsequently lodged a Commercial List Summons to the Supreme Court of New South Wales, utilising the services of a sole practitioner legal firm, Theunissen Trollip Pty Ltd. The commencement of the court proceedings is viewed by the directors of the Company as an attempt to gain leverage in this ongoing negotiation. We advise that this latest approach is also flawed in contractual fact and that the pleadings of the plaintiff are believed to be inconsistent with the facts at hand.

In addition to the resolution of the abovementioned questions regarding the financial capacity of MWH to proceed with their claim, the key retrospective and prospective dates regarding the progress of the matter through the legal system are as follows:

- MWH requested a default judgement on 28 January 2020 but subsequently withdrew this request;
- Following several failed attempts to meet with MWH to reach an agreed position and further clarity on why MWH is posturing in this manner, IGES formally lodged a commercial list response to the MWH claim on Friday 31 January 2020. We believe this strategic step will inevitably result in a negotiated settlement between the parties outside of the court system;
- The plaintiff submitted evidence in the form of an Affidavit to the Supreme Court of New South Wales on 6 February 2020;
- The matter is now scheduled for a Directions Hearing on 6 March 2020;
- IGES is scheduled to lodge its evidence on 2 March 2020;
- Subject to all parties meeting the above schedule, MWH proving their financial capacity and in particular any specific rulings at the Directions Hearing, the matter is currently set down for a 3-day trial on 14 April 2020.

Commercial Resolution Likely

As stated above, we are prepared to resolve this matter prior to a trial being required and have taken several steps to meet with the plaintiff to undertake commercial negotiations. We have so far been unsuccessful in organising a resolution meeting but will persist in this endeavour. We believe that as the court process continues, that all parties will be compelled to take a commercial approach and meet to achieve a reasonable finalisation to the matter.

Financial Impact Disclosed in Prior Audited Accounts

On a proper construction, we do not consider the principal of A\$10 million due for some time. For reasons of conservatism, however we have classified the full amount as a current liability. Therefore, no adjustment to our accounts could be required should it be determined by the Board that an early repayment is a satisfactory resolution for shareholders. That is, regardless of the outcome of the matter, there will not be a material impact on the financial results of IGES. More importantly, IGES is able to meet any and all obligations in this area from its major funding sources.

Major Funding Sources

Details of the major funding sources referred to above are:

(1) IGP

As detailed in the 2017 Prospectus (“the Prospectus”), IGES entered into a long-form agreement with GEP Fuel and Energy Indiana, LLC (“GEP”) in March 2017. IGES are partners in the USA and together formed the entity trading as 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”).

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 US\$39.6 million and forms part of the US\$70 million 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.

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

(2) SGC

As also disclosed in the Prospectus, SGC entered into a US\$90 million Term Loan Agreement on 7 June 2017. It is subject to certain conditions precedent being satisfied and the security for the loan is a first priority lien over all of its assets (the Collateral).

The conditions precedent include:

- On or before the closing of the loan, SGC shall have received the following documents in form and substance satisfactory to it:
 - execution and delivery of all documents evidencing the ownership, construction, development, and similar documents relating to the Project and all of its assets;
 - execution and delivery of all documents evidencing the loan made by SGC;
 - execution and delivery of an escrow agreement, if applicable;
 - Borrower has placed the US\$1,500,000 in escrow satisfactory to SGC.
- All legal, environmental, technological matters, feasibility studies, market and financial information, analyses, and projections, attendant to and in connection with the Project shall be satisfactory in form and substance to SGC and its assigns, SGC's counsel and other advisors and continue to be satisfactory, including a detailed business plan with:
 - detailed business plan with financial models and risk analysis;
 - feasibility of construction and increased manufacturing capacity; and
 - background review and resumes of principal parties.

The abovementioned conditions precedent have now been met.

The draw down schedule is based on bi-monthly drawdowns of the US\$90 million over a 9-month period.

The term of the loan is 15 years from the date of initial funding. Repayments are to be made commencing 15 months from the date of the initial funding. The interest rate payable is 8.5% per annum. This will increase to 11.5% in the event of a Default. IGES is also required to pay an origination fee equal to US\$1,750,000 (which will be deducted from the first tranche), provide SGC with 2% non-dilutive preferred shares of the Project, fully vested upon completion of the US\$90m being funded. As a condition precedent to the loan, US\$1,500,000 has been placed on escrow to the satisfaction of SGC.

As advised through a series of announcements and at the AGM held on 29 November 2019, the initial funding has been deferred as IGES has tried to match the loan repayment commitments of the SGC loan with operating cash-flows generated following the construction of sites.

We have recently received information from SGC confirming that the draw down schedule per the Term Loan Agreement requires bi-monthly drawdowns over a 9-month period and the initial draw-down will commence no later than 24 March 2020 so that the total draw-down schedule is as follows:

Drawdown Schedule	
Date	US\$
24/03/2020	7,500,000
9/04/2020	7,500,000
24/04/2020	5,000,000
9/05/2020	5,000,000
24/05/2020	5,000,000
9/06/2020	5,000,000
24/06/2020	5,000,000
9/07/2020	5,000,000
24/07/2020	5,000,000
9/08/2020	5,000,000
24/08/2020	5,000,000
9/09/2020	5,000,000
24/09/2020	5,000,000
9/10/2020	5,000,000
24/10/2020	5,000,000
9/11/2020	5,000,000
24/11/2020	5,000,000
Total	90,000,000

This most recent amendment to the timing has arisen due to some necessary contract re-negotiations, not previously foreseen. The SGC funding relates to a multi-lateral agreement and the recent renegotiations, albeit necessary, do not impact the terms of the arrangement between SGC and IGES, other than creating a deferral to the funding schedule. It had been anticipated that the re-negotiations would be concluded on a timelier basis so that that the initial loan instalments would still fall into February, but it is now clear this will be in March 2020.

Mr Brian Engel, the President of SGC has apologised for this further delay, and has stated:

“I assure you that the contracted US\$90 million loan facility will be delivered in accordance with contractual obligations.”

For the avoidance of doubt, SGC will complete its contractual commitments with IGES. Our intention is that this will be the first of many loans provided to your company as you roll-out your solutions across the globe. SGC is very proud to be playing its part.”

(3) Public Raise

The Company successfully met the funding requirements associated with its IPO and conducted further placements that jointly generated an equity investment of A\$16.9 million. The directors remain confident that a further public offering could be opened to meet the MWH claim if required. This confidence is enhanced by the significant progress that has been made in the construction of the Amsterdam facility.

Shareholder Protection

We consider the MWH matter a resolvable commercial dispute that occurs in the normal course of business, that should be dealt with outside of the court system. However, as is common in commercial disputes, there is often an attempt to improve a weak negotiating position by threatening and then initiating legal action. The Company is unaffected by this approach and does not believe that this step enhances the claim. While a preferred position is to reach a resolution without Court action, the Company will take all necessary steps to vigorously defend the Company's position. Further, the Company is currently in the process of formulating a number of significant, strong counterclaims against MWH and its local representatives, including Ray Williams, former HIH managing director.

That is, notwithstanding the apparent weakness of the claim against IGES, we are taking all appropriate steps to protect shareholders interests with respect to this commercial dispute. As this dispute involves a non-Australian foreign entity, we have engaged with the renowned global legal group Dentons to deal with this matter. We have previously dealt with the Dentons group of legal firms on all international matters as we look to expand our foot-print world-wide. We have engaged this large global legal firm to assist us with this matter due to their depth of knowledge and experience in global jurisdictions such as Singapore as this matter involves offshore entities and potentially international legal issues.

Conclusion

Notwithstanding our willingness to negotiate, the weakness of the claim and the apparent weakness of the plaintiff's financial position, the directors are fully prepared to vigorously defend this claim against the Company on behalf of shareholders. We believe our position is very strong and that resolution in our favour is inevitable. Indeed, the major issue is considered to be finalising the matter as expediently as possible to ensure Company resources are not wasted in the process of resolution.

We will update the market as further material and market sensitive information regarding this matter is available.

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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This announcement is authorised for release to the ASX by the Board of IGES.