



## **QUARTERLY OPERATIONS REVIEW AND APPENDIX 4C**

The Directors of Integrated Green Energy Solutions Ltd ("IGES" or "the Company") are pleased to provide Shareholders with an update of activities for the Company during the March quarter.

### **Funding Timeframe Update**

#### **Total commitment and absolute confidence in funding**

Based on the combined forecasts from GEP Fuel and Energy, LLC ("GEP") and Structured Growth Capital Inc. ("SGC"), which are provided based on the best of their knowledge in a time of unprecedented uncertainty, we anticipate the substantial, committed funding to be delivered by both funders within the next 18 business days. Both funders had been confident of meeting the April timeframe previously communicated but for the short-term collapse in the global oil price.

#### **Market Overview**

Since our last funding update, the process of working through the human and economic consequences of the COVID-19 pandemic has proven to be more challenging than expected, particularly in the US upon which our funding is largely reliant. This coupled with the unprecedented collapse of the global oil market to negative values, driven by the oversupply and lack of storage capacity, has hindered our efforts from a funding perspective and specifically made the closing of these contracts more problematic than anticipated.

#### **Oil Market**

On a positive note, analysing the factors contributing to the unwanted challenges facing the financial sector highlights the initial negative trends of the US markets (DOW index/S&P index) and Hang Seng index drifting from negative to unstable to positive in the last two weeks. This refreshing trend was however then replaced by a movement from the simple to the complex when the global oil prices fell to the unprecedented levels of trading at a negative value per barrel. This trend continues with improvements being replaced with unstable swings of negativity. The future pricing of oil has now been built into markets with the current pricing being allowed for in the current environment and replaced with a belief of a return to normality in the near future as demand reignites on the back on economies opening up again.

To explain the significance of this oil price collapse, the Company directs its shareholders to the fact that it is the global oil price that directly determines the revenue line of the IGES business. Our sell price is a direct determinant of the price of oil, plus taxes plus a margin. With the collapse of the oil price to a negative value saw the IGES net revenue line dip to a negative figure. The impact of this current oil price collapse can be seen in all markets around the world with retail fuel prices dropping to unparalleled low levels as seen at the bowser when completing the task of fuelling the car. While this is a pleasant scenario in the current environment of lost jobs and money squeeze on a home front, the impact is clearly a concern to lenders of capital to IGES.

This situation saw IGES undertaking a substantial update of the financial models incorporating top line vulnerability and the obvious impacts of hedging against a volatile global oil price. It is important to note that the production costs of IGES are in the lowest quartile of the oil industry

with our cost of production per litre being well below the capital-intensive traditional oil sector. The IGES financial model remains extremely attractive at oil pricing as low as US\$20 per barrel (and an even lower breakeven point is achievable). With the medium-term forecasts of oil now heading toward the US\$50 per barrel mark, our funders are necessarily convinced of the long-term attractiveness of the IGES model. The necessity of this remodelling and verification of new world variables, consumed more than 10 plus business days.

With this trend of a gradual return to normality and certainly the adjusting of forecasts to reflect the current environment being replaced by a reignited medium-term demand, both our major identified sources of funds have communicated total commitment and absolute confidence regarding completion of their respective contractual obligations.

Necessarily, as the prerequisite stabilisation of markets both funders alluded to when making their forecasts at the beginning of the month, has not been consistently forthcoming, there has been some adjustments with respect to both schedules. However, the IGES Directors are pleased to advise that in the context of the unprecedented dislocation of international business activities, these adjustments to timings are de minimis.

Detail related to the streams of funding are outlined below. We have been advised in writing that funds related to the GEP transaction are expected no later than 26 May whilst the SGC funds are expected on 14 May 2020.

More detailed update regarding the sources of funds are below.

### **Update from GEP**

GEP has advised that during April, that markets did not, “remain reasonably stable over the coming weeks”, as alluded to in the 1 April 2020 market release. Consequently, GEP has worked through the following challenges, related to the completion of their anticipated transaction:

- A reversal of the long-term excess liquidity conditions which has upended private capital markets
- The middle market lending community being overwhelmed by the speed and severity of the COVID-19 crisis
- Fund investors fully re-engaging their portfolio assets
- A range of the leveraged lending community effectively being forced into hiatus whilst the economic dislocation subsides
- The oil price showing a previously uncharacteristic propensity to bearishness to the extent that negative oil prices were encountered just last week.

Offsetting the above has been the relatively strong numbers in terms of the DOW, S&P indexes and longer-term oil forecast. This has allowed GEP and their funders to utilise the pockets of liquidity in the US market.

In the context of this, Mr Stephen Hogan has stated:

*“The result of all of these factors is that transaction timetables have become momentarily held in abeyance as funders are still somewhat reluctant to commit to final pricing and closing terms. Our expectation is that a return to a more traditional closing calendar will occur over the course of the next month as the markets and oil specifically begin to stabilise even further.”*

*“... I am happy to advise that despite these unprecedented times, I am extremely confident of delivering the IGES funding and commit that cleared funds totalling US\$7.5 million will be available in the IGES bank account...at the latest Tuesday, 26 May 2020 pending the anticipated return to market stability which we can see is now progressing.”*

That is, based on the latest forecasts from GEP and their funders, the scheduled payment for the initial US\$7.5 million payment for the modules is at the latest Tuesday, 26 May 2020.

### **Update from SGC**

Similarly, SGC has advised the funding timing communicated at the beginning of April was “based on a reasonable continuation of stabilization of major markets”. This has not proved to be the case, and the flow-on effects on the practicalities of conducting their business as well as the impacts on the broader markets had not been fully factored into the SGC forecasts.

SGC in its updates has also alluded to the significant escalation in COVID-19 virus infections and deaths during April as well as the financial impacts of the pandemic causing consternation amongst their business contacts and a general slowing of business processes specific to their contractual obligations to IGE.

Brian Engel from SGC has stated:

*“SGC has been able to navigate through all these issues and we remain on track to meet the contractual commitments with Integrated Green Energy Solutions Ltd (“IGES”) for the debt funding of US\$90 million.”*

*“That is, despite us not seeing the reasonable continuation of stabilization of major markets that we expected and the consequent introduction of further recent and unanticipated obstacles, we anticipate the first loan instalment will be paid 14 May 2020.”*

The updated SGC loan payment schedule is therefore as follows:

<b>Drawdown Schedule</b>	
<b>Date</b>	<b>US\$</b>
14/05/2020	7,500,000
29/05/2020	7,500,000
14/06/2020	5,000,000
29/06/2020	5,000,000
14/07/2020	5,000,000
29/07/2020	5,000,000
14/08/2020	5,000,000
29/08/2020	5,000,000
14/09/2020	5,000,000
29/09/2020	5,000,000
14/10/2020	5,000,000
29/10/2020	5,000,000
14/11/2020	5,000,000
29/11/2020	5,000,000
14/12/2020	5,000,000
29/12/2020	5,000,000
14/01/2021	5,000,000
<b>Total</b>	<b>US\$ 90,000,000</b>

## **Cooperative Research Centres (CRC) Grant Funding**

As announced on 7 January 2020, the Company's application for grant funding under the Australian Government CRC Projects Round 8 was successful in receiving an offer of project funding. The total grant amount is A\$1.98 million, which will be spent over 3 years and leverages contributions from the University of Sydney.

The project submitted for funding is in line with the Company's strategic objectives of providing a true chemical recycling solution to the world's plastic manufacturers, with plastic waste, being a major global challenge. IGES is committed to generating a cleaner planet for the next generation. To achieve this IGES will require innovation and joint efforts globally across the value chain of many communities, industry and government. The CRC grant will assist IGES to develop a further use of end of life plastic through the development of an innovative chemical recycling process.

Chemical recycling is the process of utilising waste materials such as plastic by breaking them down into chemical building blocks which through further processing are re-assembled into new "virgin" products. In the case of waste plastics, the CRC grant will be used to further refine the IGES process to produce product feedstock for existing plastic manufacturers. Chemical recycling is a true circular economy solution as the molecules making up the plastic can be reused indefinitely.

The project will span 3 years and will provide the following outcomes

- Phase 1                                      2020-2022
  - Increasing the current module capacity from 50 tpd to 500 tpd using the IGES "Next Gen" technology utilising a system modified from the oil processing industry.
- Phase 2                                      2022-2023
  - Optimising process conditions of the above system to generate feedstock specifically for the plastics manufacturing industry

When combined, these two technologies will future-proof the IGES business model as it will lead to greater economies of scale and provide a feedstock tailor made for the plastics manufacturing industry. IGES is currently in discussions with several global plastic manufacturing companies regarding supplying such feedstock to their facilities.

## **Commercial Dispute**

On 27 February 2020 the Company advised that it was in a dispute with a foreign entity, registered as Mac Wealth Holdings Pte Ltd ("MWH"), which was scheduled for a hearing in the Supreme Court of NSW.

On 6 April it was advised that the parties had been resolved on mutually beneficial terms and that the Supreme Court of NSW hearing had been vacated. Under the terms of the settlement, there will not be a material impact on the financial results of IGES.

## **Board Restructure**

There is an ongoing review of the Company's board structure, and in the past month two IGES directors, Mr David McIntosh and Mr Bevan Dooley, have resigned.

The overall objective of this restructure is for the board to maintain optimal effectiveness and to add maximum value to shareholders. It has been and remains an ongoing process requiring regular analysis and refinement under various forecast scenarios.

The Company's imminent funding means that this process adopts an even higher priority. That is, as the Company is on the cusp of exponential growth, it is imperative that we now adapt to ensure our board remains of an appropriate size and collectively has the skills, commitment and knowledge of our industry and the broader global market to ensure we continue to discharge the board duties effectively whilst providing commercial returns.

As the Company moves into its next stage of development, IGES looks to build a 7-person board with 4 of those directors being non-executive and independent, whilst increasing the level of segregation between the duties of management and the board of directors. The Company looks forward to updating the market as the board structure evolves.

**FOR FURTHER INFORMATION CONTACT:**

**Joshua Herbertson, Company Secretary +61(0) 438 771 846**

## 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**

Integrated Green Energy Solutions Ltd

**ABN**

23 003 669 163

**Quarter ended ("current quarter")**

31 March 2020

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (9 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) research and development	-3	-37
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	-	-35
(d) leased assets	-	-
(e) staff costs	-390	-1,223
(f) administration and corporate costs	-339	-847
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	-	-22
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	134	496
1.8 Other (BAS/VAT)	15	520
<b>1.9 Net cash from / (used in) operating activities</b>	<b>-583</b>	<b>-1,148</b>

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	-152	-1,743
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	-	-14
(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)	-	-
<b>2.6 Net cash from / (used in) investing activities</b>	<b>-152</b>	<b>-1,757</b>

<b>3. Cash flows from financing activities</b>		
3.1 Proceeds from issues of shares	-	-
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	-	2,506
3.4 Transaction costs related to issues of shares, convertible notes or options	-	-
3.5 Proceeds from borrowings	886	2,509
3.6 Repayment of borrowings	-	-2,543
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
<b>3.10 Net cash from / (used in) financing activities</b>	<b>886</b>	<b>2,472</b>

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (9 months) \$A'000</b>
<b>4. Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1 Cash and cash equivalents at beginning of quarter/year to date	555	1,137
4.2 Net cash from / (used in) operating activities (item 1.9 above)	-583	-1,148
4.3 Net cash from / (used in) investing activities (item 2.6 above)	-152	-1,757
4.4 Net cash from / (used in) financing activities (item 3.10 above)	886	2,472
4.5 Effect of movement in exchange rates on cash held	-	-
<b>4.6 Cash and cash equivalents at end of quarter</b>	<b>705</b>	<b>705</b>

<b>5. Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1 Bank balances	705	555
5.2 Call deposits	-	-
5.3 Bank overdrafts	-	-
5.4 Other (provide details)	-	-
<b>5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>705</b>	<b>555</b>

**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

<b>Current quarter \$A'000</b>
124
-

- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Directors fees of 124k were paid in the quarter



<b>7. Payments to related entities of the entity and their associates</b>	<b>Current quarter \$A'000</b>
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	
-	

<b>8. Financing facilities available</b> <i>Add notes as necessary for an understanding of the position</i>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
8.1 Loan facilities	137,500	-
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.		


Loan facilities are held with:  
Structured Growth Capital Inc (AUD \$137.5 million). US based financier with offices in Pennsylvania, New York and South Korea. Part of a senior secured funding group which has successfully transacted over 300 financings in excess of \$3 billion over 15 years. Interest rate is 8.5% on funds drawn down. Funding is secured by real property and equipment;

<b>9. Estimated cash outflows for next quarter</b>	<b>\$A'000</b>
9.1 Research and development	400
9.2 Product manufacturing and operating costs	-
9.3 Advertising and marketing	-
9.4 Leased assets	-
9.5 Staff costs	953
9.6 Administration and corporate costs	1,350
9.7 Other (Construction of Amsterdam Facility)	16,700
<b>9.8 Total estimated cash outflows</b>	<b>19,403</b>

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:   
 (Director/Company secretary)

Date: ....30 April 2020.....

Print name: ...Joshua Herbertson.....

### 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.