



15 May 2020

ASX: IGE

Strategic Acquisition: Vertical Integration

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In the quarterly update released on 30 April 2020, the Directors of Integrated Green Energy Solutions Ltd (“IGES” or “the Company”) advised shareholders of the status of funding from Structured Growth Capital Inc (“SGC”) and GEP Fuel and Energy LLC (“GEP”). Specifically, the confidence of both parties in delivering funding was summarised as follows:

“Committed funding to be delivered by both funders within the next 18 business days”

The Directors are pleased to announce that we are on track to have funding in place by 26 May 2020.

Further, the Directors are now very pleased to be able to announce that in conjunction with the imminent funding, a strategic vertically integrated acquisition of a key business partner, Odyssey Waste Control Pte Ltd (“Odyssey”) is planned as part of the Company’s risk mitigation initiatives associated with the 20-site global expansion plan.

Strategic Business Acquisition

Risk mitigation: Vertical integration:

The supply of quality feedstock remains a fundamental pillar of the IGES business model. The Company has used the services of Odyssey for the supply, processing and procurement of appropriate quality and required quantity of feedstock for the three initial permitted sites- Amsterdam, Northampton and Thailand- and also for other prospective sites that contribute to the 20-site plan announced to the market.

Odyssey specialises in feedstock collections systems, which can be dissected into the following areas:

- Feedstock Processing & Storage;
- Feedstock Quality Control & Management;
- Feedstock Logistics Management;
- Feedstock Insurance; and
- Feedstock Supply Chain Management.

IGES has a 10-year agreement with Odyssey. The Odyssey agreement establishes an exclusivity regime for the supply of plastic from Odyssey. In reviewing these agreements and the structure of the business relationship, there was a focus on mitigating the inherent risk of this approach. This risk was referred to in the Company’s prospectus released on 12 September 2017. Under the heading ‘*Interruption to feedstock supply or quality*’, in section 6.2 it was stated:

‘... notwithstanding appropriate safeguards, Odyssey may experience financial, supply or other difficulties which may affect Odyssey’s ability to perform its obligations to IGES. There is also

a risk that, at the end of the contract term, Odyssey may stop supplying waste plastic feedstock to IGES, or Odyssey could breach the agreement by failing to deliver the required feedstock, and that IGES will not be able to find alternative suppliers, at all, on as favourable terms or in the quantities required. Such termination or failure to renew could result from things such as an inability to source feedstock for aggregation, delivery difficulties, or an ability to obtain higher prices from other customers.'

Following an intensive due diligence on a range of variations to the business model, undertaken in conjunction with Odyssey, the Directors of IGES reached the conclusion that the most beneficial approach for shareholders is to vertically integrate and absorb the Odyssey functionality into the IGES business model. That is, the decision was reached to make an offer to acquire the Odyssey business and assets, including its international entities. Odyssey has a network of foreign based entities including the following five entities:

Country	Entity Name	Acquisition %
Singapore	Odyssey Waste Control Pte Ltd	100%
Netherlands	Odyssey Waste Control B.V.	100%
Thailand	Infinite Recycling Co Ltd	50%
USA	Odyssey Waste Control US LLC	100%
UK	Odyssey Waste Control UK Ltd	100%

The strategic decision to acquire the Odyssey business, assets and international entities is a decision made in the context of our planned roll-out of twenty sites. Following further due diligence of Odyssey and a consideration of the synergies of acquisition, it was concluded the Odyssey acquisition will allow a higher level of integration, flexibility and control as well as international coordination that would not have been achieved to the same extent if the previous model was maintained.

Risk mitigation: Acquisition timing

It is noted also that the construction of sites has necessarily been delayed by COVID-19 so it is timely the acquisition will occur just as the international engineering and construction houses are starting to come back on-line and readying to ramp back up to normal capacity. This means that no construction time will be lost via this acquisition.

Risk mitigation: Real Benefits to the Company

This strategic vertical integration improves the IGES business model from a funding perspective, reduces our risk profile further and augments the business value by bringing the following specific benefits in-house:

- (1) Security of plastic supply
- (2) Specialist feedstock knowledge
- (3) Direct pathway to international suppliers and supply sources
- (4) Access to latest R&D developments in feedstock collection and processing
- (5) Innovative solutions
- (6) Direct control of plastic quality
- (7) Minimisation of costs

Due Diligence

Due diligence is well progressed in a number of areas, including:

- Market potential;
- Supply- specifications, volumes, quality control, supply chain, insurance and logistics;
- Site Selection-criteria, process and results;
- Staffing-head office and operational;
- Developing Opportunities;
- Financials;
- Risk management;
- Capacity; and
- Technology, dissected as follows-
 - Quality & Compliance Control
 - Automated & Precise Tasks
 - Job Sequence Efficiency
 - Planning Perfection
 - Asset Utilisation
 - Weight Confirmation
 - Materials Compliance
 - Materials Yields
 - Production Efficiency
 - Profitable Materials Sales
 - Export & Import Automation
 - Automated Accounting.

The due diligence information collected to date has been shared with SGC.

Binding Term Sheet

The Binding term sheet states that in consideration for the purchase of the Odyssey business, assets and international entities, an amount of AUD\$3.6m will be paid in instalments over 3 years, subject to achievement of specific deliverables and targets-to be determined upon completion of a long-form acquisition agreement to be agreed within the next 90 days.

It has been agreed that the acquisition is subject to the completion the following specific Conditions Precedent:

- IGES completes construction of the Amsterdam facility and operations reach a minimum 75% of the designated full capacity;
- Securing binding approval from Structured Growth Capital, Inc for the acquisition;
- Obtaining any necessary third-party consents;
- Employment contracts executed for any key executives of Odyssey identified by IGES;
- Both parties each obtaining all necessary internal corporate approvals to enter into the acquisition agreement and to perform their respective obligations as set forth in the acquisition agreement;
- Completion of the due diligence review to the satisfaction of each of the parties at their respective discretion on each other; and
- Representations and warranties given under the acquisition agreement have not been breached in any material respect (or, if capable of being remedied, has not been remedied), or are misleading or untrue in any material respect.

In the event where any of the above Conditions Precedent are not satisfied within 12 months from the date of executing the long-form acquisition agreement, the acquisition agreement will cease to be effective.

Market Overview

There has been some easing of the lockdown restrictions in a range of countries and we have seen some stabilisation of major market indicators. However, the Brent Crude price remains relatively low (approximately USD\$30 per barrel) as compared to pre COVID-19 levels. To put this comment in some context, the Brent Crude price at the beginning of 2020 was USD\$67 and still maintains an average closing price of USD\$45 for the year-to-date.

The global oil price remains of relevance as it 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. However, it is important to remember 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. Therefore, the IGES financial model is robust and highly resilient in a volatile market. Specifically, it 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.

Funding

Both principal funding sources-GEP and SGC- have confirmed that they anticipate funding will be in place, as identified in the release of 30 April on or before Tuesday 26 May 2020.

Funding Update from GEP

Stephen Hogan, the President of GEP, has advised that it expected the initial US\$7.5 million payment for the modules will be made in the “18 business day” parameter as previously advised.

Funding Update from SGC

Mr Brian Engel, the President of SGC has advised that as at 14 May 2020 an agreement was finalised for the blocked funds which act as collateral for the initial instalments under the loan funding contract. This is a key step in the process that has been delayed as a consequence of COVID-19 restrictions.

The original loan agreement did not encapsulate the Odyssey acquisition as referred to above but SGC recognises the collective benefit of this acquisition and therefore, has committed that all acquisition due diligence, any adjustments to the loan agreement, guarantee commitments and other aspects will be resolved over the next 8-11 business days. That is, further administrative items are now required following the acquisition of Odyssey and these items are expected to be finalised over the next two weeks with the first funding instalment to be released by 26 May and before the end of May as a worst case.

Mr Engel has stated:

“Your strategic decision to acquire the Odyssey Waste Control business, assets and entities (“Odyssey”) is a decision that we fully support.”

Mr Engel further commented:

“All concerned parties are fully engaged, and we expect to have documentation finalized for each step over the next two weeks with the first funding instalment to be released before the end of May.”

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.