

ASX Announcement

27 September 2022

Energy Technologies Limited response to ASX query letter

In response to ASX request for information letter received by email 19 September 2022, EGY provides the following information separately to each question:

1. ASX observes that EGY's had \$565k in available funding at 30 June 2022. EGY's net cash outflow for the June 2022 quarter was \$1,347k and EGY expects to continue to have a similar level of net operating outflow in the future (paragraph A). ASX further observes that with the additional \$1,000k from the convertible note raise (paragraph B), EGY would have approximately 1.16 quarters of funding available from 30 June 2022, or approximately one month's worth of funding from the date of this letter. In light of the above, has EGY taken any steps, or does it propose to take any steps, to raise further cash to fund its operations. If so, what are those steps and does EGY believe that those steps will be successful? Please provide adequate detail.

.....
EGY and subsidiary Bambach Wires and Cables Pty Ltd (the company) has taken steps to raise further cash to fund its operations. The company has finalised new funding relationships which, in part, are staged through the next trading period. The company has gone through extensive due diligence regarding its operations, independent valuation of assets and verification of its order and tender books which has resulted in a \$2m Equipment Finance Loan and a staged increase in its working capital facilities from \$6m to \$7.4m and finally a total working capital facility of \$10m to recognise the increase in sales the company is now experiencing. The Board also notes that the company has a great track record of raising capital as it deems necessary. On 24 June 2020 the company announced a raising of \$5m by way of a placement and non renounceable rights issue, on 18 December 2020 the company announced a raising of \$1.8m by way of a placement, on 15 February 2021 the company announced a raising of \$520,000 by way of convertible notes, on 11 March 2021 the company announced a raising of \$1.3m by way of convertible notes, on 26 May 2021 the company announced a raising of \$575,000 by way of convertible notes, on 14 October 2021 the company announced a raising of \$11m by way of a non renounceable rights issue, on 26 August 2022 the company announced a raising of \$1m by way of convertible notes. The company further reports that it has submitted its yearly Research and Development Tax refund of \$1.12m which it expects to be settled in early October 2022. The company has been consistent in raising capital that best suits shareholders as and when it is required and will continue to do so with confidence.
.....

2. Does EGY expect to be able to continue its operations and to meet its business objectives and, if so, on what basis? Please provide adequate detail.

.....
EGY does expect to continue its operations and to meet its business objectives. As noted through Continuous Disclosures over the last two years and as recently as 31 August 2022, the business has been greatly affected by COVID-19 interruptions. In the first instance, in part, through the period ending 30 June 2021 regarding the re-location of the factory from New South Wales to Victoria and subsequently, in part, through numerous lockdown periods for the period ending 30 June 2022. Furthermore, during this period, the factory was restructured and now has the capability to produce 250 tonnes of finished product per month. Coupled with an order and tender book at record highs, the expanded working capital facility and the upcoming cash injection events as mentioned in our response to Question 1, the company has confidence in meeting its targets in the long term.
.....

3. Does EGY consider that its financial condition is sufficient to warrant continued listing on ASX as required under Listing Rule 12.2? Please provide the basis for this conclusion, noting in particular the following:

- the comments made by EGY’s independent auditors (paragraph D);
- the material uncertainty raised regarding EGY’s ability to continue as a going concern (paragraph E); and
- that EGY’s cash receipts from customers have been less than EGY’s product and manufacturing costs for each of (1) the financial year ending 30 June 2021 (paragraph C), (2) the financial year ending 30 June 2022, and (3) the quarter ending 30 June 2022 (paragraph A).

EGY strongly believes that it warrants continued listing on the ASX as required under Listing Rule 12.2. While recent results are disappointing and the reasons therein provided above and in continuous disclosure documents explaining same, the comments by the auditors as outlined and paraphrased in Paragraph D were expected given that the auditors’ comments are the same as previous periods, not the least in the financial year ending 30 June 2021 released in the company’s 4E on 31 August 2021 and the financial year ending 30 June 2020 released in the company’s 4E on 31 August 2020. Since these periods, which were greatly affected by the COVID19 event in 2020 across the board, which resulted in interruptions to the relocation of the entire factory from New South Wales to Victoria and consequently greatly affected the length of move, cost and operational output of the company and then the flow on effect of lockdowns, absenteeism and supply chain issues, which, again greatly impacted the factory while the business successfully implemented, commissioned and modernised its factory processes, the company is confident of its future growth plans, subsequent sales profile and focus on bringing the company to profits long term. Likewise, the cash receipts and payments demonstrate the burden that the company has carried through this time while the board of directors has continuously raised equity to fund same, refinanced working capital facilities to ensure the business continues to be in a position to grow and invest in the growth of the company as demonstrated in the Research and Development grants that it has received. The company would also point to the much improved sales performance for the period ending 30 June 2022 which demonstrates that the product produced by the company has relevance in our target industries and buoys the company with the confidence that sales targets are a reality. The material uncertainty that has been raised regarding EGY’s ability to continue as a going concern, taking all trading conditions that have been presented to the company during this period, is consistent with what we would have expected if the pandemic event could have been forecast.

4. Please provide ASX with a copy of the cash flow projection referred to in paragraph E (not for release to the market).

As attached

5. Please provide any other information that EGY considers may be relevant to ASX forming an opinion on whether EGY is complying with Listing Rule 12.2 that a listed entity’s financial condition must, in ASX’s opinion, be adequate to warrant the continued quotation of its securities and its continued listing.

The board has continuous monitoring of the operations. Internally, it has put forward a structured plan by way of capital injections, timing of same, capital expenditure, short term loss recovery, operational efficiencies, factory output and detailed product sale forecasts at the margin level. The

management of the financial needs of the company through the most difficult period in recent history has been meticulously planned and executed, as evidenced in response to Question 1 and in consideration to the response given in Question 3, and underlines the company's financial condition warrants continued quotation on the ASX. Maintaining the company's listing is paramount to the plan that is being executed giving the company much needed access to the equity portion of the capital injections that the company requires, if or when, the company requires them and is the primary reason a company such as EGY is listed on a bourse.

6. Please confirm that EGY is complying with Listing Rule 3.1 and that there is no information that should be given to ASX about its financial condition under that rule that has not already been released to the market.

The company is unaware of any further information other than what has already been disclosed to the market

7. Please confirm that EGY's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of EGY with delegated authority from the board to respond to ASX on disclosure matters.

These responses have been authorised by the board of directors of Energy Technologies Limited

– END –

About Energy Technologies

Energy Technologies Limited (ABN 38 002 679 469) has a 100% ownership of Bambach Wires and Cables Pty Ltd, a manufacturer of low voltage copper insulated cables. Learn more about Energy Technologies Limited at www.energytechnologies.com.au.

website: www.energytechnologies.com.au

For more information, please contact:

Mr. Tony Smith

Non-Executive Director

tony.smith@energytechnologies.com.au

This announcement is authorised by Energy Technologies Limited's Board of Directors



19 September 2022

Mr Gregory R Knoke
Company Secretary/CFO
Energy Technologies Limited
Unit J, 134-140 Old Pittwater Road Brookvale Sydney NSW AU 2100

By email:

Dear Mr Knoke

Energy Technologies Limited ('EGY'): Query Letter

ASX refers to the following:

A. EGY's Appendix 4C for the quarter ended 30 June 2022 released on the ASX Market Announcements Platform ('MAP') on 29 July 2022, which states that EGY has an estimated 0.42 quarters of funding available. More specifically, the Appendix 4C disclosed that:

- EGY's total available funding at quarter's end was \$565k
- EGY's net cash outflow for the quarter was \$1,347k and EGY expects this level of net operating cash outflows to continue per EGY's response to Item 8.6.1
- EGY's cash outflow for product manufacturing costs was \$16,782k for the 12 months ending 30 June 2022. That cash outflow is greater than the \$14,240k in cash receipts from customers for the same period
- EGY had cash outflows for staff costs of \$4,915k and administration and corporate costs of \$1,465k for the 12 months ending 30 June 2022
- EGY's cash outflow for product manufacturing costs was \$3,867k for the 3 months ending 30 June 2022. That cash outflow is greater than the \$3,733k in cash receipts from customers for the same period
- EGY had drawn \$6,814k in financing, including unsecured loans from a director and a shareholder, at 30 June 2022

B. EGY's announcement titled "Energy Technologies Limited raises \$1,000,000 in Convertible Note Offer" released on MAP on 26 August 2022, which disclosed that EGY had raised \$1,000k for working capital.

C. EGY's Appendix 4C for the quarter ended 30 June 2021 and released on MAP on 30 July 2021 disclosed that:

- EGY had total net cash outflows from operating activities of \$4,603k for the 12 months ending 30 June 2021
- EGY's cash outflow for product manufacturing costs was \$11,187k for the 12 months ending 30 June 2021. This amount is greater than the \$10,882k in cash receipts from customers for the same period
- EGY had cash outflows for staff costs of \$4,328k and administration and corporate costs of \$1,575k for that period

D. EGY's half-year report for the period ending 31 December 2021 and released on MAP on 28 February 2022, which contained the Independent Auditor's Review Report which stated (relevantly, emphasis added) that:

"We draw attention to Note 1(b) in the financial report, which indicates that the Group incurred a net loss of

*\$5,060,559 and had net cash outflows from operating activities of \$5,124,408 during the half year ended 31 December 2021. As stated in Note 1(b), these events or conditions, along with other matters as set forth in Note 1(b), indicate that **a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern**. Our conclusion is not modified in respect of this matter."*

- E. EGY's Appendix 4E for the financial year ending 30 June 2022 and released on MAP on 31 August 2022, which states in Note 1(b) of the financial report (emphasis added) that:

*"Fully owned subsidiary Bambach Wires and Cables (Bambach) incurred a loss after tax of \$7,298,291 (2021: \$4,217,090)... This matter gives rise to **a material uncertainty that may cast doubt upon the consolidated entity's ability to continue as a going concern**. The ongoing operation of the consolidated entity is dependent upon it achieving cash flow positive trading operations from its existing business... Management have prepared a cash flow projection for the period to 30 September 2023 that supports the ability of the consolidated entity to continue as a going concern."*

Listing Rules

- F. Listing Rule 3.1, which requires a listed entity to immediately give ASX any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities.
- G. Listing Rule 12.2 which states:

12.2 "An entity's financial condition (including operating results) must, in ASX's opinion, be adequate to warrant the continued quotation of its securities and its continued listing."

Request for Information

Having regard to the above, ASX asks EGY to respond separately to each of the following questions and requests for information in a format suitable for release to the market under Listing Rule 18.7A:

1. ASX observes that EGY's had \$565k in available funding at 30 June 2022. EGY's net cash outflow for the June 2022 quarter was \$1,347k and EGY expects to continue to have a similar level of net operating outflow in the future (paragraph A). ASX further observes that with the additional \$1,000k from the convertible note raise (paragraph B), EGY would have approximately 1.16 quarters of funding available from 30 June 2022, or approximately one month's worth of funding from the date of this letter.

In light of the above, has EGY taken any steps, or does it propose to take any steps, to raise further cash to fund its operations. If so, what are those steps and does EGY believe that those steps will be successful? Please provide adequate detail.

2. Does EGY expect to be able to continue its operations and to meet its business objectives and, if so, on what basis? Please provide adequate detail.
3. Does EGY consider that its financial condition is sufficient to warrant continued listing on ASX as required under Listing Rule 12.2? Please provide the basis for this conclusion, noting in particular the following:
 - the comments made by EGY's independent auditors (paragraph D);
 - the material uncertainty raised regarding EGY's ability to continue as a going concern (paragraph E); and
 - that EGY's cash receipts from customers have been less than EGY's product and manufacturing costs for each of (1) the financial year ending 30 June 2021 (paragraph C), (2) the financial year ending 30 June 2022, and (3) the quarter ending 30 June 2022 (paragraph A).
4. Please provide ASX with a copy of the cash flow projection referred to in paragraph E (not for release to the market).

-
5. Please provide any other information that EGY considers may be relevant to ASX forming an opinion on whether EGY is complying with Listing Rule 12.2 that a listed entity's financial condition must, in ASX's opinion, be adequate to warrant the continued quotation of its securities and its continued listing.
 6. Please confirm that EGY is complying with Listing Rule 3.1 and that there is no information that should be given to ASX about its financial condition under that rule that has not already been released to the market.
 7. Please confirm that EGY's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of EGY with delegated authority from the board to respond to ASX on disclosure matters.

When and where to send your response

This request is made under Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by no later than **5:00 PM AEST Tuesday, 27 September 2022**. You should note that if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, EGY's obligation is to disclose the information 'immediately'. This may require the information to be disclosed before the deadline set out in the previous paragraph and may require EGY to request a trading halt immediately.

Your response should be sent to me by e-mail at **ListingsComplianceSydney@asx.com.au**. It should not be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

Trading halt

If you are unable to respond to this letter by the time specified above, you should discuss with us whether it is appropriate to request a trading halt in EGY's securities under Listing Rule 17.1. If you wish a trading halt, you must tell us:

- the reasons for the trading halt;
- how long you want the trading halt to last;
- the event you expect to happen that will end the trading halt;
- that you are not aware of any reason why the trading halt should not be granted; and
- any other information necessary to inform the market about the trading halt, or that we ask for.

We require the request for a trading halt to be in writing. The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted. You can find further information about trading halts in Guidance Note 16 *Trading Halts & Voluntary Suspensions*.

Suspension

If you are unable to respond to this letter by the time specified above, ASX will likely suspend trading in EGY's securities under Listing Rule 17.3.

Listing Rules 3.1 and 3.1A

In responding to this letter, you should have regard to EGY's obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B*. It should be noted that EGY's obligation to

disclose information under Listing Rule 3.1 is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

Release of correspondence between ASX and entity

We reserve the right to release a copy of this letter, your reply and any other related correspondence between us to the market under listing rule 18.7A.

Questions

If you have any questions in relation to the above, please do not hesitate to contact me.

Kind regards

Samantha Cheung
Adviser, Listings Compliance (Sydney)