



ENERGY TECHNOLOGIES LIMITED

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Energy Technologies Ltd (ASX: EGY) (**Company** or **EGY**) refers to its recent request for a trading halt on 8 November 2018 and subsequent voluntary suspension.

On 8 November 2018, the Company received a price query from ASX. In its response to the price query announced to the market on 12 November 2018, the Company foreshadowed that it expected to announce details of a recapitalisation proposal (**Recapitalisation**) to the market once the terms of the Recapitalisation had been finalised. Due to the complexity of the Recapitalisation and the intervening Christmas period, the Company has not been able to finalise the terms of the proposed Recapitalisation until now. Consequently, the Company has been subject to voluntary suspension since 12 November 2018.

Overview of the proposed Recapitalisation

The proposed Recapitalisation has the following interdependent and inter-conditional key elements:

- The Company and lenders including the holders of debentures and notes issued by the Company and its subsidiary, Bambach Wire & Cables Pty Ltd (**BWC**), have agreed to convert all of their existing unredeemed and unconverted debt into ordinary shares in the Company.
- BWC has secured a \$2.9 million grant under the Federal Government Regional Jobs and Investment Package (**RJIP Grant**), which will assist the Company and BWC in the development of a manufacturing facility project in the Latrobe Valley, Victoria (**New Site**).
- The Company and BWC have entered into an agreement to lease with Howe Automotive Limited (**Landlord**) in relation to the New Site.
- The Company and BWC have entered into sale and purchase agreements (**Sale and Purchase Agreements**) to acquire plant and equipment, inventory and intellectual property from Advance Cables Pty Ltd (**Advance Cables**) to assist in establishing the New Site. BWC will also offer employment to a number of employees of Advance Cables.
- The Company will undertake a placement to raise up to \$5 million (**Placement**). Advance Cables (or its nominee) has agreed to participate in the Placement by subscribing for \$1.5 million in shares. The Landlord has also agreed to participate in the Placement by subscribing for \$0.5 million in shares. A number of parties (including clients of Shaw and Partners and an entity associated with director Alfred Chown) have entered into binding commitments to acquire up to \$2.5 million in shares under the Placement which may be subject to scale-back based on the level of support for the Placement from new investors. The funds raised under the Placement will be used to fund the establishment of the New Site and for working capital.

Shareholders will need to approve various aspects of the proposed Recapitalisation under the Listing Rules and the Corporations Act including:

- the conversion of debt to equity under Listing Rule 7.1 and 10.11 where the lenders are related parties;
- the approval of the issue of shares under Listing Rule 7.1 to Advance Cables as consideration for the acquisition of certain assets under the Sale and Purchase Agreements;
- the approval of the issue of shares under Listing Rule 7.1 under the Placement including the approval under Listing Rule 10.11 for related parties to participate in the Placement;

- the approval of a share consolidation under section 254H of the Corporations Act on a 100 to 1 basis.

The Company has dispatched a notice of meeting (**Notice of Meeting**) to shareholders today. A copy of the Notice has been announced to the market today.

Key terms of the proposed Recapitalisation

Further details of the proposed Recapitalisation are set out in the Notice of Meeting, but may be summarised as follows:

Deeds of Conversion

The material terms of the Deeds of Conversion are:

- all lenders including the holders of unredeemed or unconverted debentures and notes have entered into a Deed of Conversion;
- a percentage of the outstanding loan amounts (including accrued interest) under the relevant facility agreements convert into shares in the Company, with the remaining amount owing being forgiven;
- the release of any security interests registered under the relevant facility agreement;
- a moratorium on all interest payments from 30 September 2018 (on the condition that the conversion occurs); and
- the conversion is conditional on the following being satisfied or waived:
 - o all outstanding unconverted and unredeemed secured debentures, secured and unsecured convertible notes and unsecured loans converting into shares on terms acceptable to the Company or BWC (as applicable);
 - o the Company and BWC entering into agreements with Advance Cables to acquire plant, equipment, machinery, inventory and intellectual property in connection with establishing the New Site on terms acceptable to the Company or BWC (as applicable);
 - o the Company receiving binding commitments from investors to raise at least \$4.5 million in equity under the Placement; and
 - o members of Company approving the issue of shares upon the conversion for the purposes of Listing Rules and all other purposes.

Sale and Purchase Agreements

The material terms of the Sale and Purchase Agreements are:

- BWC will acquire agreed plant, machinery and equipment from Advance Cables.
- The Company will acquire certain inventory and intellectual property from Advance Cables.
- Advance Cables (or its nominee) will participate in the Company's capital raising.
- Separately, the owner of Advance Cables will indicate its intention to support BWC's business by maintaining the current buying patterns of its related entities.
- The consideration of the acquisition will be:
 - o From funds raised by the Company, BWC will pay Advance Cables \$2.9 million for the acquired plant and equipment to be settled in two payments. The first payment will be a non-refundable deposit of \$2 million to be paid on or shortly after the general meeting to be held on 13 February 2019 and the balance of \$0.9 million paid progressively on collection of all purchased equipment by BWC by the target completion date of 31 March 2019.

- o The Company will provide new equity up to the value of \$500,000 to Advance Cables (or its nominee) in consideration for the sale of inventory (subject to adjustment), and the Company will provide new equity with a value of \$500,000 to Advance (or its nominee) in consideration for the Advance Cables brand name, for procuring confirmation of its owner's intention to maintain established buying patterns, and for assistance in securing key personnel to transition to BWC.
- o Advance Cables (or its nominee) will invest \$1.5 million into the Company's capital raising, with the placement shares held in escrow for 12 months.
- The conditions precedent to the sale and purchase agreements include:
 - o Commitment letters entered into by investors committing to invest in at least \$3 million under the Company's capital raise.
 - o Commitment letters from short and long term lenders and debt holders to convert existing unconverted and unredeemed debt and loans into shares in the Company.
 - o Term sheet evidence that the Company or BWC has secured the Latrobe Valley site.
 - o The approval of the Company's shareholders of the resolutions necessary to approve the proposed Recapitalisation.

Agreement for lease

The material terms of the Agreement for Lease are:

- BWC will enter into a triple net lease with 10 year term with the owners of the New Site. The Company will act as guarantor.
- Initial rent is \$330,000 per annum with 3% per annum rent escalation.
- The lease includes use of the full site inclusive of ancillary buildings, water rights and pastured area.

Indicative timetable

The table below sets out the indicative timetable for the key events under the Recapitalisation Proposal:

Event	Indicative Date
Date of Extraordinary General Meeting	13 February 2019
Shares issued upon conversion of debt	By 15 February 2019
Shares issued to investors under \$300,000 placement	By 15 February 2019
Record date for share consolidation	18 February 2019
Consolidation	25 February 2019
Completion of capital raise	Week commencing 25 February 2019
BWC relocation to Rosedale site	Target completion date of 31 March 2019
Issue of shares for Advance Cables consideration	Date on which BWC relocates to Rosedale site

The timetable above is indicative and may be subject to change at the Company's discretion (subject to the Listing Rules).

The Company intends to announce to the market a more detailed presentation on the proposed Recapitalisation.

Cessation of voluntary suspension

The suspension in trading of the Company's shares is expected to end from the commencement of trading on 15 January 2019.

Ends