

Enerji Ltd

(ASX: ERJ)

ASX Announcement

12 February 2014



## UNDERWRITTEN ENTITLEMENT OFFER

- Enerji lodges **fully underwritten** prospectus to raise **\$1,362,578**
- Strategic plan is on target, **cash reserves** after offer are expected to provide up to **12 months** of development and operating costs, debt funding is planned for initial projects
- Pilbara project is in planning, the project pipeline provides **substantial growth opportunities** and continues to be developed
- Technology advancements reduce cost, simplify installation, minimise deployment time and increase output

Enerji's Managing Director and CEO, Colin Stonehouse, is pleased to announce that on 11 February 2014 Enerji lodged a prospectus in relation to a one for one pro rata non-renounceable entitlement offer of 272,515,576 new shares at an issue price of \$0.005 to raise \$1,362,578. The offer is fully underwritten by longstanding supporters and shareholders of the company.

The offer is made to all shareholders of the company<sup>1</sup> named on the register at 5:00pm on 20 February 2014. The offer is scheduled to close at 5.00pm (WST) on Wednesday, 12 March 2014. Shareholders have the opportunity to apply for shares in excess of their entitlement by applying for shortfall shares. Mr Stonehouse has committed to take up his entitlements.

Enerji is undertaking the offer to ensure that it is appropriately funded as it enters into project development and technology commercialisation. Further details of the use of the funds raised are set out in the prospectus.

### Background to Offer

Enerji engaged Mr Stonehouse as CEO and Managing Director in June 2013 with a mandate to prepare and implement a new strategic plan, which was prepared and presented in detail to Shareholders on 25 July 2013. Notwithstanding the ambitious targets, the company has successfully executed the strategic plan,

<sup>1</sup> With a registered address in Australia, New Zealand, Sweden or Monaco.

remains on target and believes that it is now positioned to capitalise on the potential of its technology.

### Projects

Enerji is progressing with plans for a new full-scale commercial project located in the Pilbara region of Western Australia. The project will redeploy the key components from the full-scale pilot plant at Carnarvon. The project will incorporate the technology advancements described further below.

Since much of the equipment for the project exists and will be redeployed from Carnarvon, the incremental capital budget for the project is substantially reduced.

In addition, Enerji is actively working with a number of other customers with existing heat sources that could support multiple turbines.

### Financial

Subject to the successful completion of the offer, not including further payments to Opcon for the supply of Powerboxes, all outstanding trade creditors of the Company are expected to be settled by the planned application of funds, and for the company's cash reserves to then be sufficient to fund up to 12 months of operating costs.

The company has pursued a rigorous program of cost minimisation to reduce pressure on funds.

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By a range of measures such as flexible contracting, elimination of non-essential purchasing and other strategies, Enerji has reduced its fixed monthly operating costs by around 65% since June 2013. This has been achieved by good planning and at the same time enhancing Enerji's capabilities.

As routinely reported, a material amount of the work that Enerji has undertaken is self-assessed as qualifying for the Ausindustry/ATO Research & Development Tax Incentive Program. Enerji utilises a factoring facility with a leading Australian bank to secure early access to a portion of the rebate amount. For the 2013 assessment period Enerji has received \$800,000 under this facility. Enerji expects to receive the estimated remaining \$318,000 of the rebate following lodgement of its tax return in April 2014.

Validated by independent review, Enerji presently has equity in the Carnarvon pilot plant (with key components able to be re-deployed) plus four additional Powerboxes/turbines estimated to total \$5.6 million. The Company is presently in discussions with leading Australian banks with regard to financing of future projects. Enerji management plans for the capital cost of the next two Powerbox projects to be funded with debt backed by the Company's existing assets.

### Technology

The Carnarvon pilot plant facility was designed with a net sent out capacity of 700kW but a planned output of 300kW as a consequence of constraints imposed by the host. The pilot plant and the Powerbox was operated at the planned output on 14 November 2013. The measured electricity output was 301kW, which exceeded expectations in that it was achieved without fine-tuning or optimisation of control settings.

With the benefit of the Carnarvon pilot plant learnings and specialist industry knowledge, a number of technology advancements are now being incorporated to significantly reduce cost, simplify installation, minimise deployment time

and increase output. The key advancements include:

- (a) Preferred use of a single, centrally located heat recovery unit (rather than a separate unit for each heat source) to provide a simple interface with multiple heat sources, reduced parasitic losses, robustness, and design standardisation and modularisation.
- (b) Material increase to the heat transfer system temperature by conversion to a thermal oil system. The benefits include improvements in heat recovery, capacity and operational reliability for minimal expected increase in costs.
- (c) Modularisation of all key equipment to make transportable, streamline project delivery, reduce costs and improve quality, operability and reliability. The ability to re-deploy modular equipment is also a significant benefit when securing project funding.
- (d) Incorporation of a permission control signal from the host to provide the host with operational simplicity and substantially eliminate operational risk.
- (e) Standardised configurations that include hybrid cooling systems, scalable heat recovery units, and pressure regulation for the heat recovery systems. The flexibility of configurations will further simplify deployment and reduce costs.

### Project Economics

It is important for Enerji to offer significant savings to its customers but to also generate a return for Shareholders. The business case will vary from one project to the next dependent upon the specific project circumstances.

Sophisticated analysis has been undertaken for a wide range of expected project scenarios and forms the basis of the customer business cases and Enerji's project funding plan.

For commercial reasons it is not appropriate to publish specific or commercially sensitive project financial data. However for indication purposes Enerji has a target of offering electricity to its customers at a cost that is around 25% less than the alternative price.

Enerji's initial development focus is on the most favorable projects such as remote diesel power stations (i.e. with high fuel costs). For these, after accounting for the benefit provided to the customer, the simple payback for Enerji is projected to be in the order of three years. The design economic life of the Enerji equipment is 25 years.

For other locations such as remote gas power stations or suitable grid connected facilities the simple payback for Enerji is in the order of six years. However this is expected to improve with significant capital cost reductions targeted from the planned technology advancements, movement to low cost fabrication centres and economies from standardised design and repeat production.

There have been reports of projected fuel price volatility and increases in the media. Enerji's technology produces electricity from waste heat. The economics of using Enerji's technology on gas and diesel fuelled power stations or industrial processes is already favorable in very many cases. If the price of fuel is volatile or substantially increases then the business case for using Enerji's technology can also be expected to substantially increase.

## Market

In addition to the Pilbara project, the market for Enerji's heat to power technology is substantial. Based on Enerji's current standard turbine of 850kW gross output and Enerji's updated market research, the key market statistics at present for Australia are as follows:

- (a) Remote area diesel power stations have been identified with target technical and financial characteristics that could utilise 56 Enerji turbines.

- (b) Remote area gas and large diesel power stations have been identified with target technical and financial characteristics that could utilise 433 Enerji turbines.
- (c) Industrial heat sources have not been fully assessed but facilities have been identified for 35 Enerji turbines.

Opportunities are also being identified for second phase growth either from other geographic regions or by evolving Enerji's technology to larger scale facilities. The market statistics at present are as follows:

- (a) The Pacific Islands are a target market for Enerji's technology due to the power facilities being similar to remote area power stations. Power stations have initially been identified for around 20 Enerji turbines.
- (b) Grid connected gas power stations have been identified as a major next phase growth opportunity that could utilise 2,256 equivalent Enerji turbines.

In addition to further geographic regions, third phase growth is anticipated by integrating Enerji's technology into tangential technologies such as energy storage or renewable energy.

## Capability

The Company has built a new team with demonstrated capability in the development and delivery of power projects. Enerji has secured strong in-house commercial and financial acumen, focus on customer engagement, securing independent specialist technical and design skills, and ensuring a culture and processes for checks and accountability.

In addition to enhancing Enerji's capabilities this approach has reduced fixed costs by augmenting strategic in-house capabilities with outsourcing of other skills.

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Enerji believes the collective capability of its team and supplier network is now at an industry-leading standard in fields with specific relevance to Enerji's business. It includes more than 50 years of in-house experience in successfully developing and delivering power projects, valued at more than \$1 billion, and experience in leadership and turnaround of power companies.

**Colin Stonehouse**

CEO and Managing Director

**Geoffrey Reid**

Company Secretary

Enerji Limited

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[www.enerji.com.au](http://www.enerji.com.au)**About Enerji**

Enerji Limited is a clean power company focused on delivering waste heat to power systems.

The technology transforms waste heat into electricity and therefore creates significant energy cost savings and reduced CO<sub>2</sub> emissions.