

Energy Technologies Limited

Acquisition, Manufacturing Relocation,
Recapitalisation



Recapitalisation Presentation

January 2019

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Contents



Page	Sections
4	1. Overview, Investment Highlights
7	2. Bambach, Industry, Market
12	3. Acquisition
17	4. Government Grant, Relocation, Transition
22	5. Recapitalisation, Debt Conversion
27	6. Financials
30	7. Equity Placement
32	8. Timetable
34	Contact
35	Appendix – What is Different Now?

1. Overview



Overview



- EGY 100% owned subsidiary Bambach Wire and Cables manufactures low voltage industrial and specialised cables in Brookvale Sydney
- EGY will acquire the assets of Advance Cables a large Victorian based cable manufacturer
- The combined manufacturing operation will relocate to an unconstrained large manufacturing facility in Rosedale, Gippsland Victoria
- The combined business will receive Regional Jobs and Investment Program (RJIP) grant of \$2.9m to support transition
- Bambach Cables & Wires for the preceding several years has very been successful in achieving strong growth in sales despite the significant constraints resulting from it's high cost of manufacturing facility in central Sydney, expensive rent, restricted capacity and inefficient equipment and lack of sufficient working capital and funding
- Key stakeholders hold the firm view that significantly changing market dynamics are creating a substantial opportunity for a well funded and resourced Australian cable manufacturer to deliver strong returns in the near and mid term
- The Board, Debt Holders and Related Parties have agreed to take the significant step to convert and write off existing debt currently outstanding
- The company will raise new equity of up to \$5m, with \$3m currently committed by major stakeholders and related parties
- The combined business will be a low cost, high margin strategic supplier of choice to Australian industry benefitting from significant industry tail winds currently being witnessed

Investment Highlights



- EGY pre recapitalisation EV of \$17m, comprises \$16m of debt and recent funding and ~\$1m of Equity (@ 0.2c)
- EGY will acquire the assets, services of key staff and brand of Advance Cables for \$3.9m, the company achieved revenues in FY18 of \$39m
- Combined group expected to achieve FY19 forecast revenue of approximately \$20m and EBITDA pre one-off items of \$2m
- Combined Group forecast FY20 sales revenue of \$44m and EBITDA of \$6m
- Recapitalisation to include Debt for Equity Swap of approximately \$10m and Debt write off of approximately \$5m, removing all but \$1m of recent financing from the balance sheet
- Pre-recapitalisation Equity of (\$7m) becomes approximately \$14m post recapitalisation, an improvement of ~\$21m at February 2019
- Forecast post completion Pro Forma February 2019 cash balance of \$2m+
- High customer diversification with low exposure to any one segment of the Australian economy
- Local contractors and government spending increasingly require higher standards and Australian made product driving rotation away from cheap imports
- Falling AUD driving material improvement in cost competitiveness against imported product

2. Bambach, Industry & Market



Bambach Wire & Cable | Background



- Bambach Wire and Cables was founded in 1936 and is the oldest existing Australian cable manufacturer
- It is 100% owned by ASX:EGY, EGY has currently approximately 348m shares on issue and has an Enterprise Value of ~\$17m
- It manufactures low voltage industrial and specialised cables from its current Brookvale (Sydney) site which is capable of processing 25-30 tonnes of finished product per month
- The company manufactures to existing standards or to customer specifications and has a capability to manufacture many types of cables including braided cables and is the only cable manufacturer in Australia with such capability
- In the past four years it has invested in cable research and product development and developed complete new leading ranges of cables for the rail rolling stock, power, signalling, lighting, Defence and Energy verticals
- Bambach has been successful in achieving strong growth in sales despite the significant constraints resulting from its high cost of manufacturing facility in central Sydney, expensive rent, restricted capacity and inefficient equipment and lack of sufficient working capital and funding
- Local contractors and government spending increasingly require higher standards and Australian made product driving rotation away from cheap import
- Bambach cannot meet increasing demand for its products due to its lack of working capital
- The company in FY18 achieved sales of \$15.4m and a gross margin of 18%



Cable & Wire Demand Drivers | Industry Overview



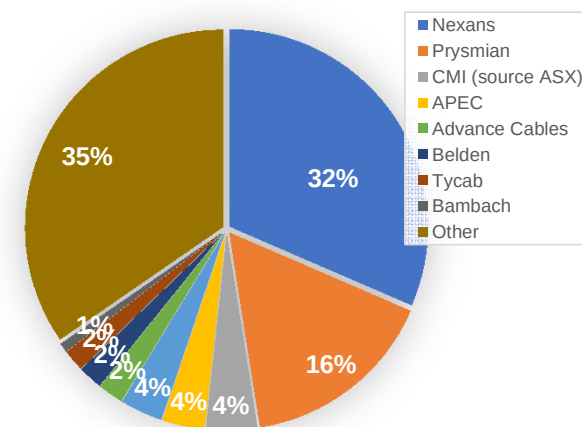
Global Growth & Australian Demand Drivers

- Cables & wires are ubiquitous and form part of everything that is built today, with electrification and technology driving increasing demand globally
- Globally sales forecast to grow at 4%+ over the medium term
- Australian Cable & wire market ~\$2bn annual sales in Australia
- Key demand drivers: government policy, infrastructure, population growth, (Federal Government spend on Transport Infrastructure \$75 billion and State spending \$70-80 billion over next 10yrs, of a total \$323 billion Federal Government Infrastructure and \$200 billion Defence spend)
- Local contractors and government spending increasingly require higher standards and Australian made product driving rotation away from cheap imports
- Few remaining Australian Manufacturers. Strong buy “Australian Made” by State and Federal Government with incentives – strategic requirement for local content in defence spending
- Bambach will be the last remaining independent specialist cable manufacturer in Australia

Industry & Characteristics

- Industry underwent a period of consolidation between 2012 to 2016, with many local competitors acquired
- Barriers to entry: high set up cost, knowledge asymmetries, sales channels / customers, intellectual knowledge, highly specialised cables – rail, defence, rolling stock & traffic
- Keys success factors include quality of products/service, distribution network, short lead times and supporting supply chain, reliable suppliers, R&D, use of technology & efficient equipment, optimal capacity utilisation

Market Share Estimate



Australian Manufacturing

- Australian cable and wire manufacturing includes electric wire and cable, fibre optic cable, telecommunications, co-axial, fuse wire and non-ferrous, wire or strip cable
- Bambach product offering geared directly to high growth sectors of the market e.g. transport infrastructure, defence, specialised equipment

Bambach Customers | Products



2018 Sales by Top 15 Customers

Customer	%	Channel	Industry
A	24%	Wholesaler	All
B	13%	Wholesaler	All
C	7%	Wholesaler	All
D	6%	Wholesaler	All
E	5%	Direct	Infrastructure - Rail, Construction, Roads
F	3%	Direct	Rail
G	3%	Wholesaler	All
H	3%	Wholesaler	All
I	3%	Direct	Mining, Automation, Industrial
J	2%	Direct	Rail
K	2%	Direct	Utilities
J	1%	Wholesaler	All
L	1%	Direct	Rail
M	1%	Direct	Traffic
N	1%	Direct	Defence
Total	75%		



- Braids and Terminated Braids
- Railway Specific Cable
- High Temperature
- Data and Instrumentation
- Marine Specific Cables
- Halogen Free
- Control Cable
- EMC/VSD Cables
- PVC FLEX
- Low Voltage
- Mining Specific Cables
- Flexible Earths
- Power Cables
- Microphone and Speaker
- Rubber HO7 RN-F
- Pump Cable
- Traffic Cable

Management Team



Advance Cables

Alf Chown

Managing Director

In 1992 Alf along with Philip Dulhunty, founded Dulhunty Engineering Ltd a Hong Kong company trading in electrical line fittings sourced from China.

In 1997 with Alf as Managing Director this company established an Aluminium and Iron Foundry in Yangzhou China manufacturing iron and aluminium fittings for use on overhead power lines. This business renamed Dulhunty Power Ltd, later purchased Dulhunty Industries Pty Ltd of Australia and went on to establish factories in Thailand and Malaysia and establish sales offices in New Zealand and the USA.

Alf later managed the sale of the business to Maclean Power systems of the USA on a 14 times multiple.

Alf is a former Chairman of the Australian Chamber of Commerce in Hong Kong and has extensive manufacturing and business experience, including factory builds, international sales, major projects and tenders and acquisitions, mergers and sale of businesses. He lived in Hong Kong for 25 years before returning to Australia in 2012.

He took up the position of managing Energy Technologies and its subsidiary Bambach Wire and cables in late 2013.

David Jenkins

GM Production

Director of the Australian Cablemakers Association. Joined Advance Cables in 1990 to install plant and equipment, David progressed into cable product development, process engineering and production, travelling overseas to Cable exhibitions in Germany and China.

In 2000 David oversaw the business relocation to the 6.5h,10,000sqm factory site in Dandenong South and the continued growth into a staff of 63, an increasing product range including the in house production of PVC.

Left Advance in 2006, David joined Baron Insulation (Fletcher Building) in an Engineering and OH&S role. Responsibilities included management of OH&S policies and procedures, product development, engineering and the relocation, modification and commissioning of plant from Fletcher Insulation to Baron.

In 2010, David returned to Advance Cables as the General Manager and Managing Director in 2013. Also a founding member and a Director of the Australian Cablemakers Association, instrumental in the discovery and reporting of the non compliant, imported Infinity cable products.

Greg Knoke

Chief Financial Officer

Greg is a Chartered Accountant.

Greg worked for Brierley Investments Limited as its Asian Group Financial Controller in Hong Kong from 1988 to 2003.

In 2004 he was appointed CFO of Dulhunty Power Limited and oversaw its growth and establishment of factories in Thailand and Malaysia.

He was also heavily involved in establishing Dulhunty Poles Pty Ltd then a subsidiary of Energy Technologies producing cement reinforced fibre distribution poles, at a factory in Geelong established with the aid of a Victorian Govt GIIF grant.

Greg has been CFO of Bambach Wire and Cables Pty Ltd since 2012.

Nick Cousins

GM Sales & Marketing

Nick held procurement positions with Coca Cola before joining Bambach Wire and cables in 2005 as a logistics officer.

In 2008 he was made head of procurement and then in 2010 took on further operational duties including roles in improving factory efficiency, product development and factory management.

In 2015 he was appointed Assistant General Manager in 2016, General Manager. Nick has a deep understanding of the low voltage cable market in Australia and a good understanding and knowledge of cable production.

Nick also serves as a Director of the Australian Cablemakers Association.

3. Acquisition Advance Cables



Advance Cables | History & background



- Advance Cables has manufactured wires and cables since the 1980's
- The company has a large efficient factory located in Dandenong capable of processing 250 tonnes of finished product per month (Bambach 30 tonnes)
- Strong production engineering capability with many years of experience amongst key personnel
- Product focus has been the production of high volume very low margin general cables for the residential and commercial building construction industry
- The general construction segment of the low voltage cable market typically sold via wholesalers has been severely impacted by low priced imported cable from China and India due to commoditisation and volume efficiencies
- Advance Cables has been impacted by loss of margin within its product mix and reliance on wholesaler customers, lack of strategic direction to pursue more profitable products, under resourced sales force and owners focussed on other activities
- The business achieved \$39m of sales with unaudited EBITDA of (\$0.01m)
- Advance Cables achieved Gross profit margins of 5% in FY18, removing unprofitable and low margin product lines on a pro-forma basis would achieve approximately a 10% gross profit margin
- Significant opportunity exists to set this business on a profitable path by combining with Bambach which has developed new products to meet high demand growing and high margin segments and remove duplication of overheads

P&L SUMMARY	2016	2017	2018
Revenue	44.77	38.61	39.06
COGS	(41.37)	(35.95)	(36.98)
Gross Profit	3.41	2.66	2.09
%	7.6%	6.9%	5.3%
SG&A	(1.98)	(1.87)	(2.10)
EBITDA	1.43	0.79	(0.01)

Transaction | Terms & Timeline



Key Terms

- Binding Agreement reached January 2019
- Total consideration of \$3.9m to be provided by EGY to buy specific assets of Advance Cables including equipment, inventory and brand names
- Consideration to take the form of \$2m cash upon passing all resolutions at EGYS EGM and \$1.9m in shares in March 2019
- Advance Cables owners to assist in procuring sales through wholesale channel
- Advance Cables will assist in the transition of its production facilities and Bambach to Rosedale, with key planning and initial site works already underway
- Secured Key Employees including David Jenkins (GM) and technical team, who will oversee installation of acquired equipment and production

Material Conditions & Timeline

- Passing all motions at EGM schedule for February 13 2019
- Achieving minimum of \$3m of external capital in the Equity Placement
- All existing senior and unsecured unredeemed and unconverted debt is converted to equity, save for requirement to undertake recapitalization financing
- Lease agreements reached with in principle agreement execute an option agreement to buy manufacturing facility at Rosedale
- Specific key employees of Advance Cables are provided with positions and the opportunity to take on employment at the new site or respective sales offices
- Targeting transition of production and closing of respective sites by March 2019 for Advance Cables and May 2019 for Bambach

Transaction | Rationale



Scale & Production

- Superior plant and equipment will deliver significant improvement in gross margins on the existing range of Bambach of manufactured products
- 6X Uplift in production capacity from 30 to 250 tonnes per month
- Equipment will allow production of cables up to 400mm (Bambach currently limited to 120mm)
- Improved production and inventory efficiencies, due to economies of scale.
- Low cost site with scope for large scale expansion.



Financial

- Achieve a significant reduction in fixed and variable costs and higher utilization – enables increase in combined gross margin to 23%+
- Removing duplication of SG&A expenses
- Costs savings of \$5m+ on combined operations
- Achieve forecast revenue of \$20m and EBITDA pre one-off items of ~\$2m in FY19, rising to \$44m and \$6.0m respectively in FY20



Sales & Diversification

- Selling synergies and greater sales channels for combined product ranges
- Larger, more diversified customer base – strong cross selling potential
- Focus on higher margin specialized customer direct product range but with “one stop shop” large scale project capability
- Maximization of existing Bambach warehouse/sales branch network for both sales and inventory market proximity.
- Margin improvement on Advance Cables product lines by offering cut to order from stock



Strategic & Operational

- Focus on higher margin specialized customer direct product positioned as premier manufacturer of specialized and industrial cables in Australia, leveraging growing Australian made tailwinds
- Significant advantage for Defence contracts reliant on local specialized manufacture and Infrastructure projects requiring local content
- Wide range of cables and fast reliable delivery
- Ability to build and maintain direct end user customer relationships
- Improvement to cashflow, procurement and buying power

Combining Two Operations



Key Outcomes

- Moving both plants to a low cost large factory site in regional Victoria
- RJIP grant to cover costs of new equipment and the move of existing
- Retaining/developing one work force cutting combined staff numbers by ~ half
- Integrating the Advance Cables and Bambach Sales teams to sell combined product range
- Reduce reliance on wholesale channels
- Altering the product mix to improve overall margins, > 20% for the combined entity with higher utilization and higher value product mix
- Developing, improving management tools and processes (smart factory)
- Bring new product offerings to market in high demand sectors
- Improved technical support and staff capability
- Freeing up WC by removing low margin and unprofitable product lines
- Space for factory expansion ensures that volumes can be increased in a timely manner and growth supported with minimal capex requirement
- Addition of highly experienced production management and engineering personnel increases production and engineering capability
- Transition risk significantly reduced by leveraging operations at two sites during mobilization and recommissioning phase

Expected 2020 Sales Composition – Top 15

Customer		Channel	Industry
A	19%	Wholesaler	All
B	10%	Wholesaler	All
C	7%	Wholesaler	All
D	5%	Direct	Rail
E	5%	Wholesaler	All
F	4%	Direct	Infrastructure - Rail, Construction, Roads
G	3%	Wholesaler	All
H	2%	Wholesaler	All
I	2%	Direct	Mining, Automation, Industrial
J	1%	Direct	Infrastructure
K	1%	Direct	Rail
J	1%	Direct	Defence
L	1%	Direct	Defence
M	1%	Direct	Rolling Stock (rail)
N	1%	Direct	Utilities
Total	64%		

4. Government Grant, Relocation, Transition



Federal Government RJIP Grant



- In April 2018 Bambach was awarded a Regional Jobs and Investment Program (RJIP) grant of \$2.9m for Bambach to establish a cable manufacturing plant in the Latrobe Valley in Victoria
- The award of this grant led to discussions between Advance Cables and Bambach to combine their businesses, reduce costs and maximise synergies
- RJIP Grant a 1 for 1 grant with eligible spent funds rebated at the end of each quarter.
- Eligible funds include purchase of equipment, refurbishment to building, equipment commissioning, training etc.
- Condition to grant is to meet agreed employment numbers at the factory
- The Grant period ends 30 June 2020. Grant payments capped at \$1.45m in any one financial year
- Local government has confirmed required permits will be issued and are highly supportive having assisted in the grant application
- EGY forecasts RJIP income of \$1.45m in FY19

<https://www.business.gov.au/assistance/regional-jobs-and-investment-packages/latrobe-valley-victoria/rjip-latrobe-valley-grant-recipients>

Major local jobs boost for Wellington

Friday 13 April 2018

Local businesses in Wellington were big winners in the Federal Government's Regional Jobs and Infrastructure Package (RJIP) announced yesterday in Traralgon.

Wellington Shire was involved in facilitating the successful applications of five local businesses to share in \$5.8m of funding to develop and create dozens of new jobs in our communities.

Wellington Shire Council Mayor Carolyn Crossley congratulated the businesses on their successful applications and re-iterated Council's commitment to supporting such projects that will benefit the Wellington economy.

"Council's economic development team worked diligently to facilitate these applications with the business owners and provided economic data to support the applications," Cr Crossley said.

Wellington Shire Council congratulates Bambach Cables in Rosedale. Audentes Investments based in Sale; Fabpro Group in Rosedale; Defendtex at Longford; ASH Timber at Heyfield; and Alberton Timber.

"This is all fantastic news for the economic development of our communities and I congratulate everyone involved in facilitating the funding applications and the individual companies for making a commitment to Wellington."

Lachlan McKinnon from Audentes Investments said his successful application will assist his business to expand, creating five jobs during construction and four ongoing positions.

"I would like to acknowledge the help of Wellington Shire Council's economic development team who helped me prepare the application that will enable my business to expand and create new jobs locally," he said.

Cr Crossley said the Council would continue to work with these and other local businesses to ensure the best outcome for our local community.

"For our communities to thrive, not just survive, we need to ensure that we position ourselves for good quality, long term, jobs that broaden or industry base and embrace new technologies within our existing industries. These successful grants do just that," she said.

"Wellington is a fantastic place to run a business and we are finding more are identifying Wellington's many attributes and not only starting new businesses here but also relocating existing ones.

"Wellington Shire Council will continue to do everything it can to assist our communities to prosper into the future."

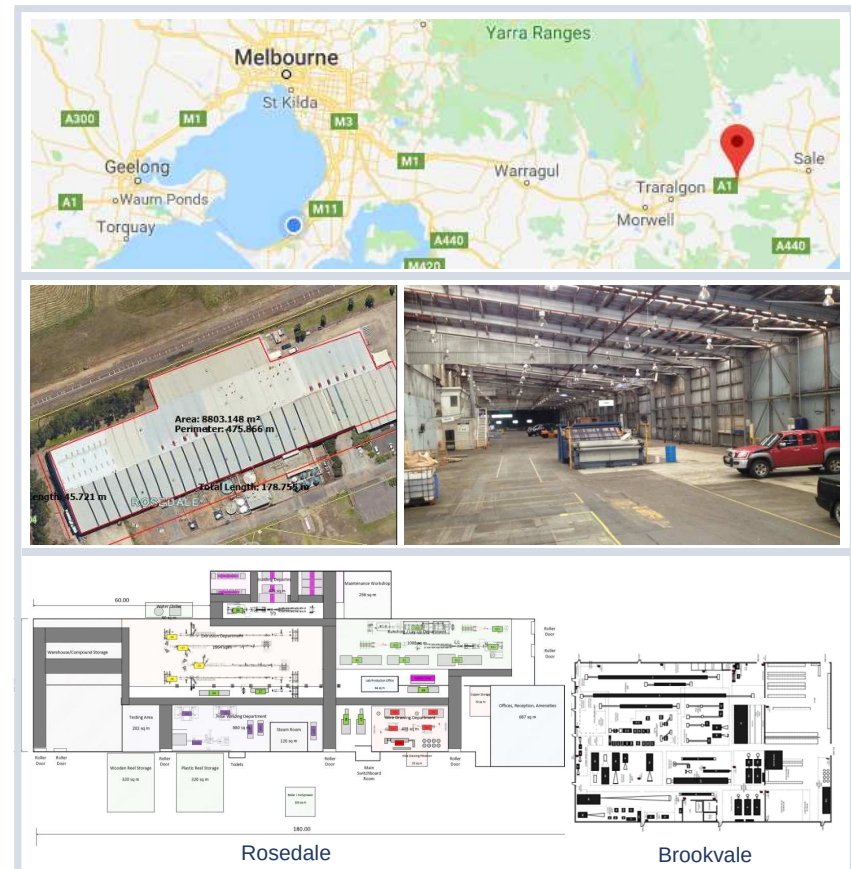


Relocation | Rosedale Gippsland Victoria



Site information

- Rosedale is located approximately 180km by road from Melbourne CBD, between the towns of Traralgon and Sale in Gippsland Victoria
- Population catchment of approx. 180,000, with a significant base of local skilled trades and machine operators
- 122 acre site and factory area of 9000 Sqm
- The property is owned by Howe Automotive Limited a majority owned subsidiary of Schaffer Corporation (ASX:SFC)
- Previous factory use included pine board factory, most recently a tannery used by Howe Automotive, which employed over 200 people
- Requires relatively little refurbishment work to accommodate the combined business
- The site allows for future expansion
- Significant local community loyalty and support
- The site is significantly larger than the existing Sydney Brookvale site and enables significant increase in production capacity, efficiency and reduction in logistic complexity



Relocation | Rationale & Key terms



Rationale

- Take advantage of a \$2.9m RJIP Grant – requires Latrobe Valley site
- Rosedale site most suitable in Grant determined area and is immediately available
- Significant power, access and layout enable scale efficiencies not present at EGY Brookvale site which has severely restricted growth and gross profit margins
- Low cost rent of \$330k p.a. compares favourably against \$500k and \$750k p.a. rent paid by Advance Cables and Bambach at current operating facilities – combined ~\$1m saving p.a.
- Option to buy Rosedale facility @ \$3.2m highly attractive compared to a similar facility build and fit-out cost of \$8m+
- Significantly greater floor space enables installation of larger more efficient equipment which in turn dramatically reduces labour inputs to achieve gross margin of 23%+
- Increased capacity enables reduction in lead times to within four weeks a significant advantage over competitors limited to 6-8 week lead times locally, 8-10 weeks ex Asia and 10-16 weeks ex Europe
- Strong local and state government support for venture, ample pool of quality labour and management staff and potential to leverage political environment for large key infrastructure and defence contracts

Key Terms & Schaffer Corporation

- EGY will enter into a triple net lease with 10 year term, 3% p.a. rent escalation with the owners of the Site Howe Leather
- In principle agreement for an option to buy the Rosedale site for \$3.2m throughout term with a 3% p.a. price escalation.
- The lease includes use of full site inclusive of ancillary buildings, water rights and pastured area
- Schaffer Corporation have been very supportive of the project assisting in securing key former employees to reduce transition risk
- Schaffer Corporation majority controlled subsidiary How Automotive is supporting the transition and overall Recapitalisation by indicating it intention to participate in the Equity Placement for up to \$500k
- Early refurbishment and site works have commenced

Transition | Key Activities & Timetable

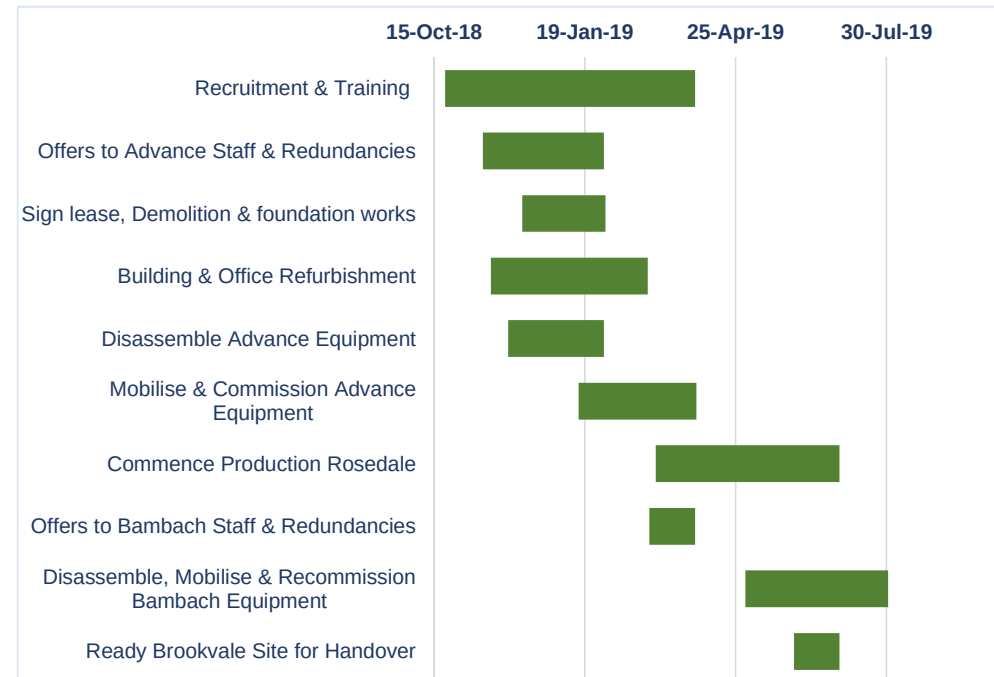


Overview

- Advance Cables factory will be closed first and equipment mobilised to Rosedale, while Bambach maintains its production at Brookvale
- Removal, transport & re-installation of Advance Cables equipment will occur over March Quarter CY19
- Recruitment in stages with initial training at Advance Cables factory
- Ongoing training as new equipment brought on line in Rosedale
- All current Advance Cables operators to receive an offer to move to new site
- All BWC operational staff to be offered roles in new site, expect low uptake
- Receiving significant and strong enquiry from high skilled potential employees in the region

Key Activity

Indicative Timeline



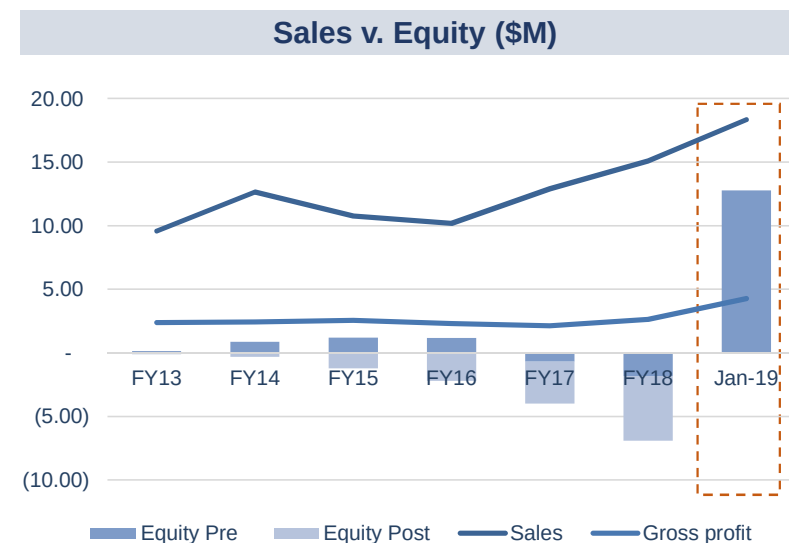
5. Recapitalisation, Debt for Equity Swap



Recapitalisation | Overview & Background

5. Recap

- Bambach has operated from a very inefficient and expensive factory and has never been adequately funded to deliver the sales growth and market share gains that is obvious within the industry
- Cumulative interest expense and excessive rent the major contributor to retained losses
- Bambach currently loses up to \$0.5m in sales orders per month due to insufficient working capital
- In FY14 EGY cash of \$100k and Equity of \$100k, Jun-18 \$200k and Equity (\$6.9m), the Balance Sheet has ultimately not been appropriately funded and has severely compromised managements operating decision making and strategic initiatives
- Board, Management and Principal Debt Holders maintain continued strong conviction in the business, management, industry and strong tailwinds/dynamics
- Related parties and key stakeholders hold the firm view that significantly changing market dynamics are creating a substantial opportunity for a well funded and resourced Australian owned and operated cable manufacturer
- The Board, Debt Holders and Related Parties have agreed to take the significant step to convert and write off all debt currently outstanding, raise additional funding and acquire the assets and employees of Advance Cables a large Victorian based cable manufacturer, and to relocate the combined manufacturing operation to an unconstrained large manufacturing facility in Gippsland Victoria
- The recapitalisation will achieve a greatly improved Balance Sheet and Working Capital position to deliver on forecast revenue projections



- Historical Equity Pre/Post Cumulative contribution of excessive Brookvale rent and interest to retained equity
- Jan 2019 Pro forma Equity and Forecast FY19 Annualised Sales and Gross Profit

Debt for Equity Swap | Cap Table

5. Recap

- Ongoing support for the business and management has been achieved with debt holders agreeing to participate in a Debt for Equity Swap subject to member approval at the company's upcoming EGM
- EGY pre recapitalisation EV of ~\$17m (@0.002), comprises ~\$16m of debt and recent funding and approximately \$1m of equity capitalisation (@0.2c)
- Debt conversion ratios agreed – based on a reducing rate, in line with security profile ranging from 73 – 45% for a total value of ~\$10m to be converted into equity
- Balance of Total Debt ~\$5m to be written off in FY19
- EGY to undertake a share consolidation, following participation of new shareholders – up to 87.2 million shares in the company will be on issue @ 20c post recapitalisation
- All existing EGY security holders will own a minimum of 65.6% of the post recapitalisation shares in EGY
- Existing shareholders will own approximately 1.5m shares in post recapitalisation
- Recapitalisation subject to approval at EGM to be convened on 13 February 2019

	Pre - Recapitalisation			Post - Recapitalisation (Feb-19)			
	Security	\$ Total Value	Conversion Ratio	Post \$ Value	# Shares	Owvership %	Effective Cost Price
Existing Security Holders	Senior Secured Loans	10.8	73.1%	8.0	40.0	48.3%	0.27
	Junior Secured Loans	0.4	57.0%	0.2	1.0	1.2%	0.35
	Unsecured Financing	4.1	44.7%	1.9	9.5	11.5%	0.44
	Total Debt	15.3	65.9%	10.1	50.5	60.9%	0.30
	Existing Shareholders (0.2c)	0.7	43.1%	0.3	1.5	1.8%	0.46
	Recent Funding	0.8	100.0%	0.8	3.9	4.7%	0.20
	Total EGY Security Holders	16.8	66.5%	11.2	55.9	67.4%	0.30
New Shareholder	Advance			2.4	12.0	14.5%	0.20
	Howe Automotive Limited (ASX:SFC)			0.5	2.5	3.0%	0.20
	Placement Shareholders			2.5	12.5	15.1%	0.20
	Total New Equity			5.4	27.0	32.6%	0.20
	Post Recap Market Cap @ 20c			16.6	82.9	100.0%	-
	Recapitalisation Finance			1.0			
	Cash			(2.2)			
	Enterprise Value			15.4			

Note: The above **Capitalisation Table** is indicative and assumes that post debt conversion, write-off and share consolidation the minimum \$3m of new equity is raised and issued in the company's upcoming Equity Placement.

New Owners | Cap Table

5. Recap

- Up to \$6.5m of new equity to be issued at \$0.20 on a post recapitalisation basis, inclusive of consideration t Advance Cables
- Of which binding commitment for \$2.5m in the placement at \$0.20 from related parties and significant stakeholders under s.708
- A further \$500k has been indicatively secured by Howe Automotive (majority owned by ASX:SFC) whom own the Rosedale relocation Site (*see section 5*)
- Further Grant Funding of a total \$2.9m committed (*see section 5*) cash receipts of ~\$1.45m in current March Quarter
- Post Recap Market Cap of ~\$17m (@20c) and debt free save for Recap financing of ~\$1m

	Pre - Recapitalisation			Post - Recapitalisation (Feb-19)			
	Security	\$ Total Value	Conversion Ratio	Post \$ Value	# Shares	Owvership %	Effective Cost Price
Existing Security Holders	Senior Secured Loans	10.8	73.1%	8.0	40.0	48.3%	0.27
	Junior Secured Loans	0.4	57.0%	0.2	1.0	1.2%	0.35
	Unsecured Financing	4.1	44.7%	1.9	9.5	11.5%	0.44
	Total Debt	15.3	65.9%	10.1	50.5	60.9%	0.30
	Existing Shareholders (0.2c)	0.7	43.1%	0.3	1.5	1.8%	0.46
	Recent Funding	0.8	100.0%	0.8	3.9	4.7%	0.20
	Total EGY Security Holders	16.8	66.5%	11.2	55.9	67.4%	0.30
New Shareholder	Advance			2.4	12.0	14.5%	0.20
	Howe Automotive Limited (ASX:SFC)			0.5	2.5	3.0%	0.20
	Placement Shareholders			2.5	12.5	15.1%	0.20
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	Cash			(2.2)			
	Enterprise Value			15.4			

Note: The above **Capitalisation Table** is indicative and assumes that post debt conversion, write-off and share consolidation the minimum \$3m of new equity is raised and issued in the company's upcoming Equity Placement.

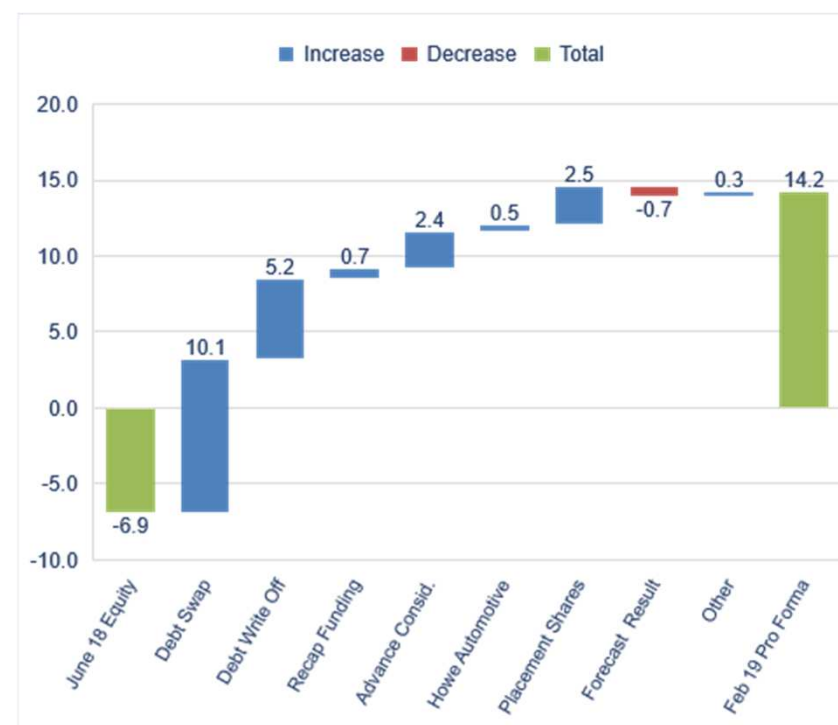
Recapitalisation | Equity Bridge

5. Recap

- June 2018 Equity Balance of (\$6.9m)
- Recapitalisation total equity improvement of ~\$21m
- Achieves an Equity balance of ~ \$14m on Feb 2019 Pro Forma Balance Sheet
- Forecast 7 month result includes several transaction and other related one-off items
- Represents the first time the company has been adequately funded since listing and first positive Equity balance since FY15

Note: The adjacent **Equity Bridge** is indicative and assumes that post debt conversion, write-off and share consolidation the minimum \$3m of new equity is raised and issued in the company's upcoming Equity Placement.

June – Jan 19 Pro Forma Equity Bridge



6. Financials



Balance Sheet | Pro Forma

Key Assumptions & Movements

- Assumes following corporate actions by January 31:
 - Debt for Equity Swap of approximately \$10m
 - Debt write off of approximately \$5m
 - New equity raised of \$3.0m (minimum)
 - Advance Cables equity consideration of \$2.4m
- Cash payment to Advance Cables of \$2.9m for PP&E
- \$1m of interim third party financing
- Receipt of \$1.45m RJIP Grant
- Results in cash balance of \$2m+, \$14m equity and no debt other than recapitalisation finance

Note: The adjacent **Balance Sheet** is indicative and assumes that post debt conversion, write-off and share consolidation the minimum \$3m of new equity is raised and issued in the company's upcoming Equity Placement.

BALANCE SHEET	Jun-18	Feb-19
CURRENT ASSETS		
Cash & Equivalents	0.19	2.25
Trade Receivables	-	0.85
Other Receivables	3.29	2.12
Inventories	4.56	4.74
Other	0.12	-
TOTAL CURRENT ASSETS	8.16	9.96
NON-CURRENT ASSETS		
Property, Plant and Equipment	3.03	6.36
Intangible Assets	2.72	3.30
Deferred tax assets	0.18	0.18
Other Debtors	0.08	0.09
TOTAL NON-CURRENT ASSETS	6.01	9.93
TOTAL ASSETS	14.17	19.89
CURRENT LIABILITIES		
Trade Creditors	-	1.23
Payables	5.88	1.95
Accrued Rent	-	0.08
Deferred Equipment	-	-
Interest bearing liabilities	6.97	1.00
Director and Other Loans	2.75	-
Current tax liabilities	-	-
Provisions	0.66	0.69
TOTAL CURRENT LIABILITIES	16.66	4.96
NON-CURRENT LIABILITIES		
Interest bearing liabilities	3.97	-
Provisions - Employee Entitlements	0.12	0.14
Other	0.31	0.24
TOTAL NON-CURRENT LIABILITIES	4.40	0.38
TOTAL LIABILITIES	21.06	5.34
NET ASSETS	(6.88)	14.55
SHAREHOLDERS' EQUITY		
Contributed equity	9.50	26.17
Reserves	(1.05)	(1.05)
Retained Earnings	(11.64)	(16.69)
Current Period Result	(3.11)	6.70
Total parent entity interest	(6.30)	15.14
Outside equity interests	(0.58)	(0.58)
TOTAL EQUITY	(6.88)	14.55

Profit & Loss | 3 Year Forecast

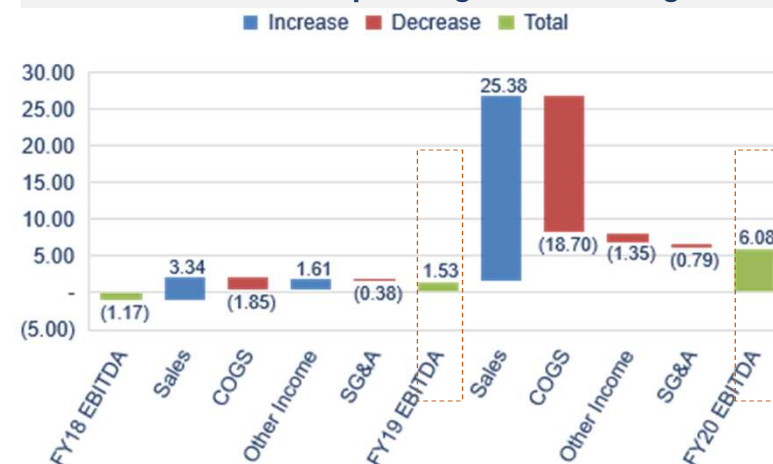
6.
Financials

Key Assumptions & Movements

- FY19 P&L assumes:
 - YTD + budget sales of \$16m with associated COGS and SG&A and a gross margin of 23%
 - \$3m of sales of Advance Cables product at Rosedale and Brookvale
 - \$1.45m of RJIP grant and R&D income
 - Achieving of transition logistics time line
- FY20 P&L assumes:
 - Full production at Rosedale of both product line serving customers and channels of both companies existing businesses
 - Approximately \$15m of sales related to Advance Cables low margin product line will not be produced FY19-20
 - \$1.45m of RJIP grant and R&D income
- Note combined sales revenues of existing businesses in FY18 was \$54m
- Bambach currently loses up to \$0.5m of sales orders per month due to working capital constraints, the recapitalisation will unwind this dynamic and enable sales teams to pitch and bid on greater volumes of work with greater levels of confidence

P&L SUMMARY	2018	2019(F)	2020(F)	2021(F)
Sales	15.41	18.75	44.13	53.19
COGS	(12.63)	(14.48)	(33.18)	(39.96)
Gross Profit	2.78	4.27	10.95	13.23
%	18.1%	22.8%	24.8%	24.9%
Other Income	1.22	2.82	1.47	-
SG&A	(5.17)	(5.56)	(6.35)	(6.44)
EBITDA	(1.17)	1.53	6.08	6.80
%	-7.1%	7.1%	13.3%	12.8%
Depreciation	(0.37)	(0.49)	(0.68)	(0.63)
EBIT	(1.54)	1.05	5.40	6.17
Interest	(1.57)	(0.55)	(0.11)	(0.11)
PBT	(3.12)	0.50	5.29	6.06
Tax	0.01	-	-	0.35
NPAT	(3.11)	0.50	5.29	6.41

FY18 – FY20 Operating EBITDA Bridge



7. Equity Placement



Equity Placement | Equity Sources & Uses of Funds

- Raising up to \$5m with \$2.5m in binding commitments received at 20c via new investors under s.708
- Voluntary Escrow Provisions entered into for consideration shares to Advance Cables
- Share consolidation and new issues result in post recapitalisation shares on issue of up to 87.2m @ 20c
- Recapitalisation, acquisition and new equity to be approved at EGM 13 February 2013
- Sources and uses assumes equity issued and cash received and consumed for the balance of FY19

Note: The adjacent **Sources & Uses** is indicative and assumes that post debt conversion, write-off and share consolidation the minimum \$3m of new equity is raised and issued in the company's upcoming Equity Placement.

Sources & Uses FY19

Sources	\$M	Equity %	Uses	\$M
<u>Non Cash</u>			<u>Equity</u>	
Recapitalisation	15.3	60.9%	Debt For Equity Swap	10.1
Recent Funding	0.8	4.7%	Debt - Write Off (P&L)	5.2
Advance Equity	2.4	14.5%	Recap Equity	0.8
			Advance Consideration	2.4
Total Non Cash	18.5	80.1%	Equity	18.5
<u>Cash</u>			<u>Capex & Expenses</u>	
Howe Automotive LTD (ASX:SFC)	0.5	3.0%	PP&E	3.2
RJIP Grant (FY19P&L)	1.5	-	Transition & Oneoffs	0.5
Placement Shareholders	2.5	15.1%	Transition Capex	1.3
			Working Capital	0.5
Total Cash	4.5	18.1%	Total Cash Uses	4.5
Existing Shareholders	-	1.8%		
Total Sources	23.0	100.0%	Total Uses	23.0

8. Corporate Timetable, EGM Resolutions



Corporate Timetable | Indicative



Indicative Date	Activity
14 January 2019	ASX Recapitalisation Announcement, Notice of Meeting despatched to Shareholders
13 February 2019	Date of Extraordinary General Meeting
By 15 February 2019	Shares issued upon conversion of debt
By 15 February 2019	Shares issued to investors under \$300,000 placement
18 February 2019	Record date for share consolidation
25 February 2019	Consolidation
Week commencing 25 February 2019	Completion of capital raise
Target completion date of 31 March 2018	BWC Relocation to Rosedale
Issue of shares for Advance Cables consideration	Date on which BWC relocates to Rosedale site

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Appendix

What is different now?

Success Factors



Footprint, Equipment & Capacity



Issue	Historical Issues	What Is fixed
Factory	• 3200 sqm facility, expensive northern beaches location • No space for expansion, limits equipment upgrades • Poor layout and workflow • Double handling losing an estimated 80-120 production hours per week	• Factory 9800sqm and Site is 122 acres which enables room for expansion, storage and better logistics management • Double handling problem solved, production costs reduced significantly
Equipment	• Aged and inefficient, not fit for purpose for newly developed product lines. • Lack of automation and capacity (speed) results in very high labour cost per meter for smaller diameter cables where equipment upgrade has not occurred. • Smaller equipment use of small drums for cable pay-off and take-up, necessitates frequent drum changes losing an average 160 minutes per day per machine in unnecessary machine downtime • Reliance on hand or semi auto instead of fully automated equipment for winding finished small cables and cores adds 10 to 25% onto the cost of cable dependent on diameter	• Fit for purpose equipment highlights achieving dramatic improvements • Increases efficiency and labour utilisation and reduces this input cost significantly • Enables vastly larger volume runs reducing cost per meter • Significant increases average gross margin on specialised and industrial range • No increase in workforce required to produce seven times the volume of product.
Capacity	• Limited capacity (30 tonnes copper per month) impacts cashflow due to inability to produce finished goods within month of raw material purchase • Capability in terms of cable diameter limited to 120mm diameter cable and for larger cables 500m drums – customers often require 1000m drums	• Copper though put from 30 to 250 tonnes per month • .Ability to produce cables up to 400mm in diameter • Ability to meet customer requirements for drums sizes of up to 1000m for large rail signalling and power cables and road signal cables

Cost Structure & Overheads



Issue	Historical Issues	What Is fixed
Overheads	- Existing overheads too high - Bambach pays \$750k p.a. at its production facility in inner Sydney ~2-3X per SQM greater than similar businesses - Inability to maintain inventory levels results in high cost per unit of sale at branch level	- Rosedale rent will be 60% lower at \$ 330k p.a. - Adequate inventory at branch level enables maximisation of return from each branch
Cost structure	- Labour to Productivity ratio 2-3 times too high. - Low volume disallows economies of scale, volume discounts	- Capacity improvement greater than 4X on greatly reduced overhead - Labour/Productivity ratios industry standard - Greater capacity enables economies of scale to be captured and volume discounts to be achieved.

Inventory, Working Capital & Funding



Issue	Historical Issues	What Is fixed
Inventory	- Lack of stock and product has resulted in continual lost sales opportunities - In the current calendar running at up to \$500k a month - The above figure does not include sales opportunities not bid due to lack of capacity or existing capability - Lack of capacity – customer orders take priority over stock replenishment resulting in rundown of stock and customer dissatisfaction, and continual movement of stock between branches and excessive freight costs.	- Adequate working capital enables stock levels to be maintained, increasing sales and reducing freight costs (~ \$20k p.m.) - Extra capacity enables production of customer orders to be fulfilled < 30 days resulting in better cashflow 4-5 week delivery capability, provides important competitive advantage over imports from Asia or Europe
Working Capital	- Order growth has been significantly constrained by lack of working capital - Operations achieving scale has been significantly impaired by inadequate and inappropriate historical funding mix - Too heavily reliant on major shareholders in attempt to minimise shareholder dilution	- Strong balance sheet enables significant levers for customer acquisition especially for larger tenders - Improved supplier terms benefitting cashflow - Reduces financing costs for growth or equipment financing
Capital Structure	- Due to the debt load and past loss history Bambach has not been able to source timely WC to support growth - BS has impaired ability to capitalise on market change - Purchase of Bambach a month before downturn in mining and changing standards derailed original plan, gave rise to need to develop new products, expand the product offering and enter new markets requiring more capital which impeded growth	- Debt swap removes \$1.2m of interest p.a. - Enables investment and product development for growth verticals and customer acquisition - Better able to provide security to major customers in growth sectors of infrastructure, defence and energy with locally made product - Strong balance sheet enables further potential acquisitions

Product Mix & Sales Network



Issue	Historical Issues	What Is fixed
Product Mix	- New product development began in 2013/14 2 years to bring new lines to market – testing and approvals	- Since 2014 Bambach has developed and launched new ranges of cables for rail, traffic, low smoke and fire rated markets - Funding enables acceleration of development and culture of innovation
Product Dev	- Lack of capital to support product development, testing and approvals - Created delays and piecemeal approach to product development and return on investment.	- Faster lead times for testing and approvals of products - Accelerate products that have been developed but yet to be launched – marine and defence markets - E.g. Bambach's NautX range for marine and defence markets, RailX range for rolling stock, ElastifleX range of welding flexes
Sales Network	- Original branch network limited to Eastern States, sales team generally light and ineffective - Investment made to expand into WA and SA markets - New sales people recruited – remains under resourced	- Advance Cables sales staff will fill many gaps is current offering - Offering a full Australian Made product for large projects and major contractors - Enable synergies to sales and be employer of choice
Customers	- Depletion of original customer base due to demise of local manufacturing under pressure from globalisation - High Australian dollar - Loss of major customer due to mining downturn and loss of sales due to change of product standard for solar cables	- Bambach currently experiencing significant growth of high quality customers for new product ranges - Visibility on years of strong sales growth - Addition of new Advance Cables customers in wholesale and other under represented industries provides significant GP contribution
Sales Diversification	- Reliance on sales to wholesalers or two to three two major customers. - Eastern States focus	- Accelerates and broadens direct to customer sales capability and enables Advance Cables product range to be targeted in the same way - Expanded customer base amongst major multinational contractors and producers, government and semi government bodies

Leadership & Management



Issue	Historical Issues	What Is fixed
M a n a g e m e n t	- Long serving employees without much broader experience - Frustrated by constraints and losing good people, lack of historic resource undermined morale - Poor performance limits ability to attract talent	- Addition of senior Advance Cables staff will add great depth of manufacturing knowledge - Excited by prospects - Opportunity to attract talent
B o a r d	Balance Sheet prevented High quality membership	- Significant addition of highly respected Industry leader as new board member, brings significant network and experience of running Australian and Global cable manufacturing businesses - Currently search for second new board member to add industry, turnaround and finance expertise
S t a f f	- Long serving staff becoming older and less motivated - Abilities limited by equipment	- Relocation will enable refocus of HR effort - Key local hires secured - Move will enable the leveraging of local community

Macro & External Drivers



Issue	Historical	Current
Political	- Negativity toward Bipartisan agreement on national Issues. - Policy stagnation, acceptance of globalisation and resultant benefits to consumers without questioning long term strategic impact on employment, quality of life, strategic national interest and consumer safety.	- Geo-political change forces bipartisan agreement on defence, infrastructure, migration and population policy resulting in an unprecedented - Historically high 10-15 year spend on defence - Focus on supporting local small and medium sized enterprises, with general bipartisan policy commitments to rebuild SME manufacturing sector at both state and Federal levels via local preference, Federal and State Government grants, advanced manufacturing support - Backlash against globalisation, re-affirmation of quality standards, increased policing of standards in light of quality issues and danger to consumers
Economic	- Mining slowdown, High dollar, Low Government spend on infrastructure, defence, rolling stock, focus on micro-economic reform - Offshoring trend strong	- Strong fiscal spending - Low and falling Australian dollar likely to remove most Import cost advantage - Offshoring trend ceased with negative economies of scale and logistic issues being witnessed
Social		- Rapid population growth - Infrastructure spend - Regionalisation
Competitors	Declining local manufacturing rapidly rising importer competitors	- Cheap International imports losing competitive advantage - Quality and safety becoming more important and differentiator - Supply chain and fulfillment driving opportunity for local manufacturers