

HD Wasabi Energy Limited - Notice of Meeting and Corporate Update

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The Directors of Wasabi Energy Limited advise that, in accordance with the Deed of Company Arrangement announced on 28 February 2014, a General Meeting of the Company will be held at Level 25, Bourke Place, 600 Bourke Street, Melbourne, VIC, 3000, Australia on 16th May 2014 at 11.30am.

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A Notice of Meeting and explanatory statement have today been posted to shareholders and is available on the ASX and the Group's website www.wasabienergy.com.

The business of the Meeting is to implement the DOCA and to allow for the recapitalisation of the Company in order to preserve as much value in the Group as possible through its ownership of the Kalina Cycle Technology and its investment in Wasabi New Energy Asia and other entities. The Company will also propose a resolution at the Meeting to change the Company's name to Enhanced Systems Technologies Limited.

The Meeting will, if all resolutions are approved, result in the Company reducing its debt from Au\$16 million (and an additional Au\$5.7 million of contingent debt) to Au\$500,000 remaining to the first ranking secured creditor. It will also allow for approximately Au\$1 million of new funds to be lent into the Company (also on a secured basis) ahead of a proposed rights issue to shareholders, which is expected to be announced in the second quarter of 2014 (the 'Rights Issue').

These funds will allow the Company to continue to operate and fund the underlying activities of the Group whilst the DOCA is being implemented. These funds are all expected to be converted at the time of, and on the same terms as, the Rights Issue. The terms of the Rights Issue are yet to be finalised and further details of this process will be announced as appropriate. The Company is working to ensure that the Rights Issue is fully underwritten to provide certainty of funds.

During the recent restructuring period, the directors have performed a review of the business and have determined to restructure the Group to provide a more appropriate strategy for the Company to create value for its shareholders.

As a result, the Company will be focused on industrialisation of the Kalina Cycle Technology through a new subsidiary, Enhanced Power Technologies ('EPT'), and will consolidate the company's IP and knowhow into this company specifically focused on building commercial relationships with global EPC companies, with the objective of achieving near-term scalability of the technology. The Company will also continue with the development of Wasabi New Energy Asia Limited ('WNEA').

The Company previously stated its aim was to be an Independent Power Producer (IPP) and to have 25MWe of owned power generation under construction or in operation by 2015. Following the review of the business, the Company intends to focus on industrialisation of technologies, and in particular its patented power cycle technology.

The Group is not now aiming to become an IPP, however as the Group and, in particular, WNEA, moves through its business plan and the technology is deployed through major partners, the Group may achieve indirect ownership of significant power generation in the longer term, without the high capital cost.

Operational Update

The following update provides a short summary of the Group as at this time. Negotiations in respect of some of the Group's projects and determination of financing requirements remain ongoing and additional details will be provided by the **Company** as required or in a disclosure document anticipated to be issued in conjunction with a Rights Issue to all shareholders.

Wasabi New **Energy** Asia Limited (WNEA).

In November 2012, the **Company** announced that it was establishing WNEA to own:

1. 50.5% of Shanghai Shenghe New **Energy** Resources Science & Technology Co Ltd ('SSNE'), the current Kalina Cycle licensee for Mainland **China**, Taiwan, **Hong Kong** and Macau;
2. 100% of the royalty income stream from SSNE currently attributable to its use of the Kalina Cycle and
3. A new Kalina Cycle licence covering Japan, South Korea, Indonesia, Philippines, Thailand, Vietnam, Malaysia, Singapore, Myanmar, Cambodia, Laos, Brunei, North Korea and Mongolia.

Wasabi owns 66.7% of WNEA and has a loan to WNEA of approximately \$6 **million**.

Over the course of 2013, SSNE continued to develop its EPC projects with particular emphasis on the building of a 4 MWe Kalina Cycle plant at the Sinopec Hainan refinery as well as a 7.5 MWe Enhanced Rankine power plant at **China** Building Materials Group's Guizhou cement plant. These projects are continuing and SSNE is actively engaging with parties for new projects in a number of sectors.

While the Wasabi administration process did not directly affect WNEA, it has required ongoing dialogue with all stakeholders in order to maintain WNEA's development over the Administration period. WNEA's fundraising process is continuing.

WNEA will continue to work with Canaccord **Hong Kong** for its initial capital raising and IPO on the Singapore Catalyst Exchange. The Chairman of Wasabi, Mr. John Byrne, and the directors of WNEA and in particular Mr Yu, who is also CEO of SSNE, are the key management personnel working to deliver the funding and listing of WNEA. The intention is to complete the listing of WNEA as soon as possible during 2014.

The final issue price has yet to be determined but an indicative price of 50c per share has been used in the marketing efforts to date. The value of WNEA, if listed at \$0.50 per share, will be \$20 **million** to the **Company** based on its current ownership holding WNEA has a loan facility from **China** Shiny Holdings Limited ('**China** Shiny'). **China** Shiny has a guarantee in respect of the full amount owing under the loan facility and therefore has a right to make a claim directly against the **Company**.

The maximum drawdown amount of the loan facility is RMB 18,000,000 and the **Company**'s maximum contingent liability to **China** Shiny has been admitted by the Administrator as AUD \$3,479,546.85 and the maximum number of Shares that it may be required to issue in respect of the same is 6,959,094 (which would be issued pursuant to the DOCA as to 2 shares for each \$1 claimed).

In addition, there is a further contingent liability in respect of the Additional Guarantors of the **China** Shiny loan for which a further 4,300,000 Shares may be required to be issued pursuant to the DOCA as to 2 shares for each \$1 claimed. Ideally the **Company** would like to be able to resolve WNEA's liabilities to **China** Shiny, thus enabling the **Company** to become the secured lender to WNEA.

Enhanced Power Technologies

Following completion of the strategic review into the **operations** of the **Company** and discussions with a number of strategic partners, the **Company** has decided to restructure its power division by establishing Enhanced Power Technologies a 100% owned subsidiary focused on the commercialisation of the Kalina Cycle technology in all areas outside of Asia.

EPT will consolidate the **company**'s IP and knowhow into a **company** specifically focused on building commercial relationships with global EPC companies, with the objective of achieving near-term scalability and adoption of the technology.

EPT will work collaboratively with major industry partners to provide specialised engineering and IP development opportunities for those partners within their sectors. In the near term EPT will be funded by the **Company**, however it is anticipated that as collaboration agreements are formalised with EPC partners, EPT will be self-funding as it will generate revenues through licensing, collaboration and engineering fees.

Notwithstanding the above, the EPT team will also encompass both the existing opportunities in Imparator and work of the engineering team at Recurrent in the US, however these existing opportunities will be held in their current structure as set out below.

Imparator Green Energy Plc

In 2011, the Company established Imparator Green Energy Plc, and its subsidiary Imparator Enerji, ('Imparator') to own the Kalina Cycle license for Turkey and to develop a waste heat and geothermal business utilising the technology.

The main project within Turkey was the Tuzla geothermal power project in which Imparator held an option to purchase 50% of the project. In December 2013, due to the failed fundraising by the Company and subsequent administration process, Imparator was unable to make the final option payment required within the time frames of the option agreement.

Imparator retains certain rights in relation to the project and is continuing to discuss the situation with its associates in Turkey, as well as with the owners of the Tuzla project, however there is no certainty that Imparator will be able to re-negotiate the purchase of an interest in Tuzla.

Imparator will source external funds for this purchase should the negotiations be successful. Imparator has undertaken diligence on a number of other projects within Turkey and there remain opportunities to participate in other projects where using the Kalina Cycle technology can provide significant advantages.

Wasabi currently owns 100% of Imparator and is considering its options with regards to partners and investors in order to deliver on the development opportunities in Turkey. Imparator will undertake its own funding process to progress its business in the future, which may result in Wasabi's ownership of Imparator being diluted.

KCT Power/Recurrent Engineering

Wasabi owns 100% of KCT Power, which has an engineering team through its wholly owned subsidiary in the US, Recurrent. KCT and Recurrent own the numerous patents under which the Kalina Cycle technology has been developed and licensed around the world. KCT issued an exclusive license to FLSmidth in 2011 for the cement industry and has been working closely with them on two projects, the 8.6MWe DG Khan Khaipur Cement plant in Pakistan and 4.75MWE Star Cement in the UAE.

Both of the projects have taken longer than expected to reach final commissioning due to various issues with the procurement and installation of items, however the Kalina Cycle aspects of both of the projects were delivered on time by KCT/Recurrent. The DG Khan Kalina plant has been operating as part of the commissioning process however, the expected waste heat from the cement process has not yet become available. Despite this, the power generated by the Kalina Cycle system is in line with the projected performance based on these reduced parameters.

KCT is in discussion with FLSmidth in relation to milestone payments for the DG Khan plant and has been receiving payments for commissioning support at the Star Cement plant.

Other Projects

The Company has not progressed the refurbishment of the Husavik Power Plant as quickly as anticipated and is considering the most appropriate structure for completing this project. EPT will co-ordinate the process with KCT to achieve a beneficial outcome for the various stakeholders in Husavik. Further details will be provided on this in the future.

In Germany, the Taufkirchen 4.3MWe geothermal combined heat and power project, focused on district heating, is progressing following receipt of the required regulatory approvals in August 2013. The owners of the project anticipate completion of this project in 2015.

The Group's involvement in this project is through the licence of the Kalina Cycle technology and an engineering contract. In Japan, the engineers from Recurrent completed their engineering contract with GERD in relation to the 50kWe Ecogen micro power plants. Discussions are ongoing as to future projects in Japan.

Other Assets

Wasabi maintains an ownership in additional assets. These include CleanTeq Holdings Limited (ASX: CLQ), Lignol Energy Corporation (TSX-V: LEC) and Aqua Guardian Group Limited. CleanTeQ, a water treatment and resource recovery company, has recently closed a placement in March 2014 for approximately \$4.6 million at 5c per share.

This placement allows it to strengthen its balance sheet and to fund the delivery of their pipeline of new projects. The major lender to CleanTeq, Mr. Robert Friedland, participated in the placement to maintain his existing interest in CleanTeQ at 19.9%.

Lignol, a producer of biofuels, biochemicals and renewable materials from waste biomass, has recently purchased 100% of Territory Biofuels Limited which owns a 140 **million** litre per annum Biodiesel refinery in Darwin, Australia.

In conjunction with this **purchase**, Lignol has signed a Memorandum of Understanding with Milio International for a JV. Under this proposed JV, Milio will provide funding for up to 120,000 tonnes per annum of feedstock and provide the marketing and sales for the biodiesel produced. This facility is expected to be up to \$25 **million** per annum at full capacity.

Lignol have also signed a Memorandum of Understanding with **M-Energy** Co Ltd as a key technology partner for the restart of the Territory Biofuels plant. **M-Energy** have a patented pre-treatment plant that allows the use of low-cost, sustainably certified high free fatty acid waste feedstocks to produce biodiesel.

M-Energy have 3 operating biodiesel plants in Korea. Aqua Guardian Group, the owner of the AquaArmour product, is in discussions with a major partner for **operations** in Australia, Southern Africa and South America. Further details in relation to this will be provided in the near future.

Augut Clean **Energy** Pty Limited

In May 2013, the **Company** announced it had entered into a subscription agreement with Augut Clean **Energy** Pty Limited (Augut) for a placement in the **Company** as well as into WNEA. In July 2013 the **Company** had still not received funds from Augut and issued a notice of demand for the monies. Subsequently Augut was placed into liquidation and it is unlikely that any value will be received in relation to the proposed placement.

Wasabi had intended to own 62% of AAP Carbon which was to be the Kalina Cycle licensee for Southern Africa. However, the issue of the license and integration of the AAP Carbon team into the broader Group did not proceed following delays in the establishment of projects in Southern Africa with parties such as ArcelorMittal, TATA Steel and others. Wasabi retains approximately 23% of AAP Carbon and will not be providing any funds to it. AAP remains active in Southern Africa and may provide value to the Group in the future.

The Deed of **Company** Arrangement

As outlined in the Notice of the Meeting, the DOCA proposes that:

the existing Shares will be consolidated such that creditors will hold 90% of the share capital of the **Company** subsequent to implementation of the debt to **equity** swaps required under the DOCA, with every 765 Shares in issue being consolidated into 1 Share;

the majority of the creditors of the **Company** will convert each \$1.00 of debt owed to them into 2 Shares;

each new Share to be issued to a creditor cannot be sold, transferred or assigned until the earlier of:

six months from the DOCA Commencement Date or

30 days after the closing of the Future Rights Issue (described below);

Salida Accelerator Funds S.a.r.l. will remain a secured creditor for half of its debt, and accept Shares for the other half and

Minor creditors (those whose debt is less than Au\$2,000 and which total approximately \$13,000) will receive a distribution anticipated to be 100 cents in the dollar instead of Shares from an amount of Au\$475,000 to be made available to the Administrator by new lenders.

The arrangement with creditors cannot proceed unless Shareholders vote in favour of the Resolutions which relate to the debt restructure and included in the Notice of Meeting posted to shareholders today.

Unfortunately, the only alternative to the implementation of the DOCA is a liquidation of the **Company**. The Administrators estimate that Shareholders would receive nothing on a liquidation.

The amount of Au\$475,000 to be made available to the Administrator and minor creditors is included in the larger sum of Au\$1,000,000 to be provided by new lenders and is not an additional amount being lent to the **Company**.

Share Consolidation and Issue of New Shares to Creditors

If Shareholders approve the share consolidation, the number of Shares in issue will reduce from 3,718,761,160 to 4,861,126. Any fractional entitlements will be rounded up. If the share issues proposed are approved by Shareholders, the total number of shares issued will be 43,817,988 and accordingly, the number of Shares in issue will increase from 4,861,126 to a maximum of 48,679,114.

The maximum number of new Shares to be issued is also subject to the receipt and adjudication of final proofs of debt from creditors and also includes the maximum number of Shares, being 11,259,094, which may be issued to satisfy any call on the guarantees outstanding with regard to **China Shiny**.

If all outstanding debts are converted to **equity**, the new Shareholders will hold in aggregate 90% of the issued capital of the **Company**. Subject to shareholder approval, if the **Company** undertakes a placing in addition to the debt to **equity** swap, up to a further 5,000,000 ordinary shares and 5,000,000 options could be issued. On a fully diluted basis, there would therefore be up to 58,679,114 ordinary shares on issue.

All previously issued options in the **Company** have expired.

Admission of Shares to trading on AIM

Subject to approval of the DOCA, the revised share capital of the **Company** will be 37,420,020 Ordinary Shares (the 'Revised Share Capital'). Application for admission of the Revised Share Capital to trading on AIM will be made and admission is expected to take place on 16 May 2014, however trading in the Revised Share Capital is not expected to commence until there is clarity of the **Company**'s financial position and the interim results for the period ended 31 December 2013 have been announced.

The figure of 37,420,020 does not include the 11,259,094 Ordinary Shares which may be issued if the contingent liability owed to **China Shiny Holdings Limited** and the guarantors is crystallised.

Director Loan

It was announced on 27 February 2014 that John Byrne, a director of the **Company** intended to participate in the lending syndicate that provides the Au\$750,000 of initial funding to the **Company**. This initial funding is to be used to fund the **Company** whilst it goes through the DOCA and fundraising processes.

It has been determined that a revised and total amount of Au\$1,000,000 will be lent to the **Company** however Mr John Byrne will not be participating in the lending syndicate. The Loan is a secured loan, with interest at 8% per annum and will convert into New Shares in the **Company** at the same price and on the same terms as a proposed fundraising by the **Company** in the near future.

Interim Accounts

In accordance with a Class Order, and as announced on 14 January 2014, if required, the **Company** is given until 30 June 2014 to report to members and lodge its report for the half year ended December 2013, being six months after the date of the appointment of administrators. The **Company** was, however, required, pursuant to Rule 19 of the AIM Rules for Companies to issue its interim results by 31 March 2014.

As the **Company** was not able to meet this AIM reporting requirement it therefore will remain suspended until its interim results have been published and until the long term financing of the **Company**, which is expected to be achieved by the Rights Issue, has been secured.

Contact:

Wasabi **Energy** Limited

John Byrne Executive Chairman Tel: +61 (0)3 9236 2800

Cenkos Securities

Beth McKiernan Neil McDonald Tel: +44 (0) 131 220 6939

[Editorial queries for this story should be sent to newswire@enpublishing.co.uk]

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