

# INFORMATION MEMORANDUM

NEUTRALYSIS INDUSTRIES PTY LTD

ACN 156 261 791

SEED CAPITAL OFFER

For the issue of 1,100 ordinary shares at an offer price of A\$1,000 per share to raise up to A\$1.1 million dollars.

  
**NEUTRALYSIS**

## Disclaimers

### Not a Prospectus

This Information Memorandum, **(IM)**, is issued by Neutralysis Industries Pty Ltd ACN 156261791 (**NI** or **Company**) personally to selected recipients. This IM is not a disclosure document and is provided to facilitate a personal offer of seed shares in the Company to selected institutions and other exempt investors in Australia (**Recipient**) in accordance with Chapter 6D of the Corporations Act (called **Sophisticated Investors** or **Professional Investors** within the meanings of section 708(8) and 708(11) of the Corporations Act respectively) (**Excluded Parties**).

Accordingly, this document has not been lodged with the Australian Securities and Investments Commission (**ASIC**).

### Confidentiality

The IM (and the information contained herein), the **Information**, is confidential to the Company. It is not intended for and should not be distributed to any other person than as permitted herein. By receipt of the IM, the Recipient agrees that it will not transmit, reproduce or make available the IM (or any information contained herein) to anyone other than its professional advisers without the prior written consent of the Company. Any such disclosure to the advisers of the Recipient must be on a confidential basis.

### Disclaimer

The purpose of this IM is to provide the Recipient with information relating to the investment opportunity described in this document. The Company reserves the right to reject any application or withdraw the IM and the investment opportunity without notice or reason.

This IM has been prepared by the Company. The Recipient must make their own independent assessment and investigation of the investment opportunity and should not rely on any statement or the adequacy or accuracy of any Information. The Recipient should not treat the contents of the IM as advice relating to legal, taxation or investment matters and should consult its own advisers. Nothing in this IM should be construed as financial product advice, whether personal or general, for the purposes of Section 766B of the Corporations Act. This IM does not involve or imply a recommendation or a statement of opinion in respect of whether to buy, sell or hold a financial product.

The Company and its directors make no representation or warranty (express or implied) as to the accuracy, reliability or completeness of the Information and shall have no liability (including liability to any person by reason of negligence or negligent misstatement) for any statements, opinions, information or matters (express or implied) arising out of, contained in or derived from, or for any omissions from the IM, except liability under statute that cannot be excluded. No responsibility is accepted to advise any person of any change in the proposed business of the Company.

The IM contains reference to certain intentions, expectations and plans of the Company. Those intentions, expectations and plans may or may not be achieved. They are based on certain assumptions that may not be met or on which views may differ. The performance and operations of the Company may be influenced by a number of factors, many of which are outside the control of the Company. No representation or warranty, express or implied, is made by the Company or its directors that any intentions, expectations or plans will be achieved either totally or partially, or that any particular rate of return will be achieved.

Any investment in the shares of the Company should be considered speculative.

## 1. Purpose

- a) To become an operator and supplier of commercial biomass plants throughout the USA, Australasia and South East Asia.
- b) To become the foremost free Hydrogen explorer and producer in the USA, expanding operations globally in time, and supplier to the rest of the world.

## 2. Executive Summary

NI has a Joint Venture Development Agreement (JVDA) with Natural Hydrogen LLC who have mining permits covering two areas totalling ~17 sq.kms in Nebraska and in South Carolina.

Funds of A\$500,000 are needed to test the commerciality of the first site in Nebraska known as Hoarty which has already been drilled to the depth of 3.44 km. If proven viable, NI would then have the right to farm-in up to 51% of all permitted sites with total expenditure (including funds expended during testing Hoarty) of US\$20M.

NI currently owns 50% of another US company, H2 Energy Group ("H2EG") which has access to a patented Cellulose to Hydrogen technology. It is the Company's intention to acquire the remaining 50% of H2EG by securing a one-year option to purchase for the assured sum of US\$6M. The fee for the option agreement is A\$500,000.

### 3. The Offer

#### 3.1 Details of the Offer

Under the Offer, NI proposes to issue up to 1,100 shares in the Company at an offer price of A\$1,000 per share to raise up to \$1,100,000.

Applications must be for a minimum of 10 shares and thereafter in multiples of 5 shares. Payment in respect of the shares is to be made in full on Application. No brokerage or stamp duty is payable by the Applicant under the Offer.

#### 3.2 Use of funds raised under the Offer

The funds raised under the Offer are to be applied in the manner set out in Table 1.

Table 1 – Source and Use of Funds

Hoarty Well Test	\$500,000
Secure a 1-year Option Agreement to purchase 50% of H2EG not already held by NI	\$500,000
Working Capital (principally for 3 <sup>rd</sup> party carbon intensity calculations for the Cellulose to Hydrogen process)	\$100,000
<b>Total use of funds</b>	<b>\$1,100,000</b>

The above table is a statement of current intentions as of the date of this IM. As with any budget, intervening events and new circumstances including strategic opportunities that may present themselves that the Board considers are of benefit to shareholders, have the potential to affect the ultimate way funds will be applied. The Board reserves the right to alter the way funds are applied on this basis.

#### 3.3 Capital Structure

The issued ordinary shares of the Company, assuming the Offer is fully subscribed, is shown below:

Table 2 - Capital Structure (Ordinary Shares)

Shareholder Group	Number of Ordinary Shares	% of total shares
Foundation Shares	3,300	75%
Shares issued under this Offer	1,100	25%
<b>Total Shares on Issue Post Offer</b>	<b>4,400</b>	<b>100%</b>

## **4. Company Overview**

### **4.1 Incorporation and current shares on issue**

Neutralysis Industries Pty Ltd was incorporated on 14 March 2012 in Victoria as a proprietary company limited by shares. The Company adopted its own Constitution at incorporation thereby excluding the application of the replaceable rules referred to in Part 2B.4 and Section 135 of the Corporations Act.

The Company currently has 3,300 Ordinary Shares on issue, all of which are beneficially held by the Founders/Directors.

### **4.2 Board and Key Members**

Russell Ernest Brimage – Managing Director

Russell has over 40 years of experience in the upstream oil and gas industry, ranging from public listed oil & gas companies to the service industry – both onshore and offshore.

As Managing Director of Oilserv Australia, an oil field service company which he founded in 1982, the company became a dominant service contractor in Australia providing contract field operations, well testing and wire-line services, process facility design and construction, drilling and work-over services.

In the public company arena, Russell has demonstrated capability in capacity as CEO to secure and develop producing assets in both Indonesia and the state and federal shallow waters of the US Gulf Coast, often via industry counter-cyclical transactions, to transform companies from zero revenue to positive cash flow and profitability, with successful outcomes generating in excess of \$250 million net revenue to the companies interests. As chief executive officer of Entek Energy Limited, he was an early mover in identifying shale opportunities in the US with the farm-in to approximately 60,000 acres in the Niobrara shale play in the states of Colorado and Wyoming in August 2009.

Viageslav Zgonnik (PhD) - has 20 years of experience in H<sub>2</sub>. He also wrote a post-doctoral thesis by conducting the largest known review on natural H<sub>2</sub> and is regarded as a world authority on the subject.

Nikolay Larin - has 30 years field experience in studying natural H<sub>2</sub>. He is known for his discovery of H<sub>2</sub> seepages in the earth's substrata. So far Nikolay has a 100% track record in discovering H<sub>2</sub> locations.

## 5. Business Overview

### 5.1 The Problem – H2 Production and Storage

***CURRENT METHODS OF H2 PRODUCTION (H2O, Natural Gas or CSG) are EXPENSIVE and some methods POLLUTE***

Presently, the primary method of hydrogen production involves fossil fuels. Steam reforming of natural gas, coal gasification and the partial oxidation of methane all emit greenhouse gases to some degree.

Other popular non-fossil fuel methods, such as methane pyrolysis and electrolysis, are far more expensive than the above methodologies. Which is why 95% of hydrogen production is still derived from fossil fuel sources.

***H2 IS DIFFICULT TO STORE***

Hydrogen is highly diffusive and explosive. Therefore, it requires very high storage pressures of between 5,000 to 10,000 PSI and above, or it has to undergo the very expensive process of liquefaction.

### 5.2 The Opportunity

#### 5.2.1 Natural Hydrogen

Free or Natural Hydrogen is considered the holy grail of hydrogen production. It is both cheap with an estimated production cost of US\$2 per kg and carbon neutral.

Until recently, it was thought that vast amounts of natural hydrogen did not exist in commercially viable quantities. It wasn't until a natural subsurface occurrence of pure hydrogen gas was discovered in Mali (with close to 98% purity) by Canadian company Petroma. In July 2015, three years after their first successful test, Petroma demonstrated how hydrogen gas could be used to generate power, by lighting up part of the village of Bourakebougou not far from the capital Bamako in Mali, the eighth largest country in Africa. This has created almost 100% clean electricity in a poor rural area that did not have any access to electricity, something that would have hardly seemed plausible only a decade ago. This find seems to only be the tip of the iceberg as Petroma has permits covering 43,000 square kilometres in this region.

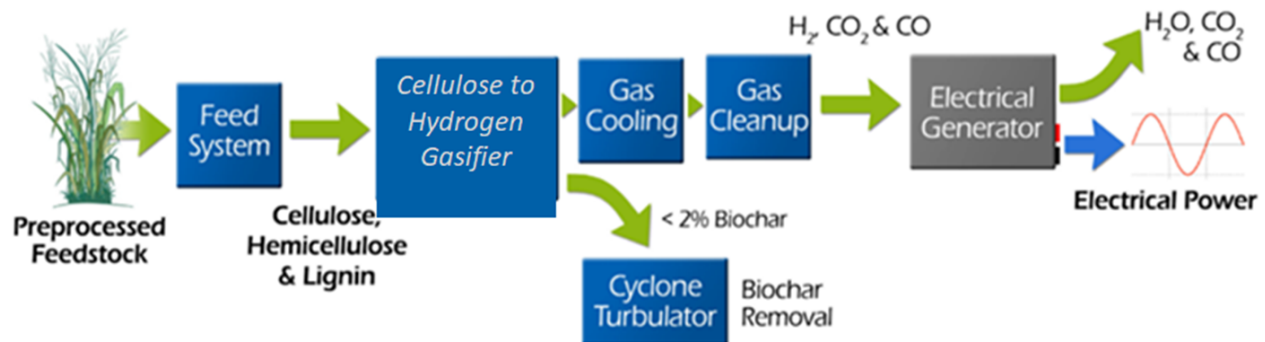
NI currently has a Joint Venture Development Agreement (JVDA) with Natural Hydrogen LLC to earn into their permitted projects in South Carolina and Nebraska. By funding the testing and development of these sites, NI stands to own up to 51% of a new JV company set up by both NI and Natural Hydrogen LLC which will own all present and future permitted sites in the USA, with expansion to other "hotspots globally, including Australia.

The first targeted site is called Hoarty, located in Nebraska. It was spudded on the 21<sup>st</sup> of November 2018 by drilling to a depth of 3,441m (11,287'). Natural Hydrogen LLC spent a total USD\$ 11.5 million

on exploration and drilling of the well. Initial indicators revealed H<sub>2</sub> seepages with possible commercial levels of Helium.

It is proposed that A\$500,000 of funds raised would be spent to test the above well.

### 5.2.2 Cellulose to Hydrogen Technology- The Green Factory



H2EG has access to the above patented Cellulose to Hydrogen process. NI presently owns 50% of H2EG and is seeking to acquire the rest under a 12-month option agreement that would fix the valuation of H2EG at US\$12M. The fee for that option agreement is A\$500,000.

There are already commercial plants in the USA utilising this technology.

Benefits of this technology are as follows:

- A high yield of up to 80% hydrogen in produced syngas leads to low hydrogen cost
- Tars and particulates are virtually eliminated; no need for expensive and energy-intensive syngas clean-up process
- Co-products are biochar, a highly effective soil amendment, and water.
- The process is effectively carbon neutral.
- The systems are scalable to suit the application.
- Cellulosic fuel is renewable and sustainable.
- Small footprint facilitates suitable for remote locations.
- The system can generate heat, hydrogen, electricity, and renewable liquid fuels that are 100% drop in substitutes for fossil fuels.

The aim of H2EG (and therefore NI) is to provide carbon neutral energy solutions to all of the USA by building and operating plants throughout the country.

Investigations in Australia have identified reliable and sustainable resources of biomass to support plant operations in Australia.

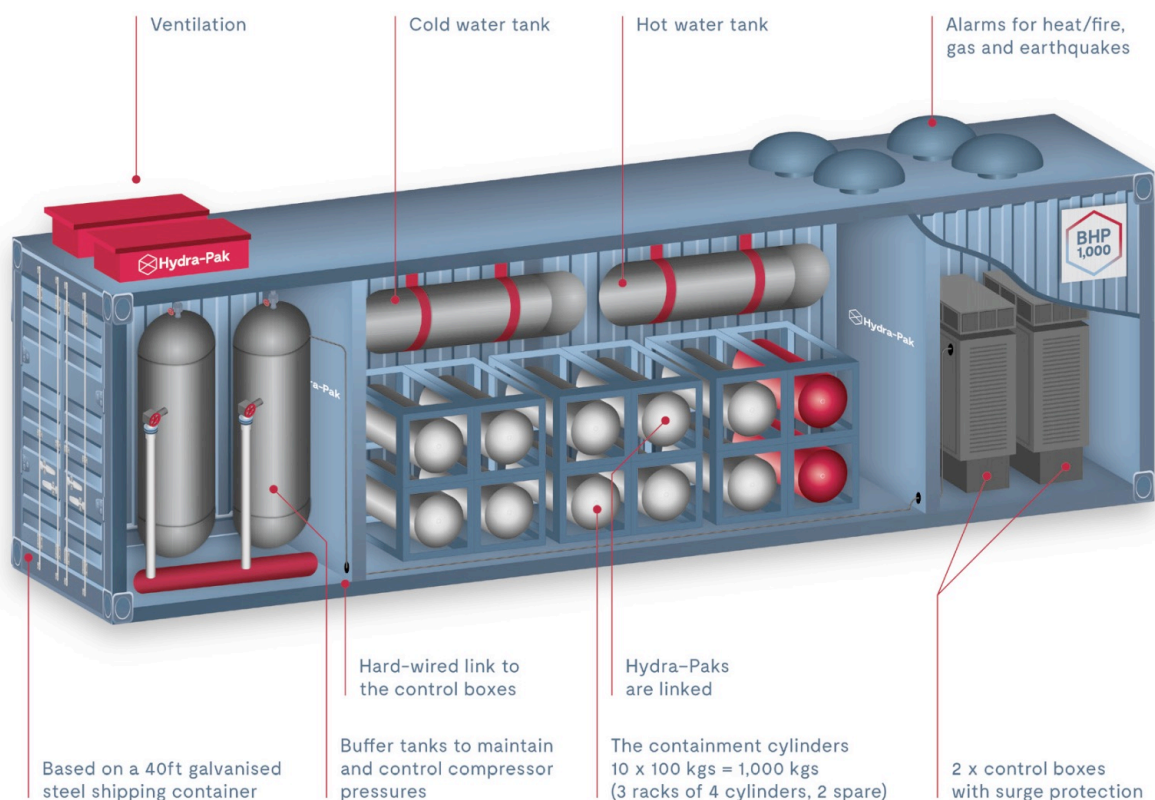
### 5.2.3 Hydrogen Storage

Storage of Hydrogen as a gas typically requires high pressure tanks at pressures 350 to 700 times greater than what is experienced at sea-level. When filled to between 5,000 and 10,000 psi, the tanks are prone to leakage and the pressures must be continually monitored to maintain the shelf life of the Hydrogen. Compressing into gas requires complex equipment and systems which adds to the expense (and energy usage) required to store the Hydrogen in this form.

The storage of Hydrogen as a liquid requires cryogenic temperatures as the boiling point of Hydrogen at sea level pressures is  $-252.8^{\circ}\text{C}$ . If the temperatures are not maintained, the product will be lost. The systems and equipment required to maintain these extremely low temperatures also add to the expense and energy usage required to store the Hydrogen in this form.

Compounding the current storage shortcomings, these traditional methods are dangerous representing fire and explosive risk.

The solution is the patented and proprietary Hydra-Pak created by H2H Alternate Energy Solutions Ltd - a UK based company. By using the known chemical process of combining Hydrogen with certain metals like Aluminium, H2H renders Hydrogen inert by converting it into a metal hydride. This process is facilitated in the Hydra-Pak thus enabling Hydrogen to be stored safely for secure transportation.



H2EG has signed a Memorandum of Understanding (MOU) with H2H to utilise their technology in the storage and transportation of Hydrogen for all of the USA and South East Asia.



## 6. Risk Factors

### General Risks

#### (a) Market Conditions

The market price of the Shares can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general and resource exploration stocks in particular. Neither the Company nor the directors warrant the future performance of the Company or any return on an investment in the Company. Share market conditions may affect the value of the Company's securities notwithstanding that its shares are not listed and regardless of the Company's operating performance. Market conditions are affected by many factors such as:

- general economic outlook;
- interest rates and inflation rates;
- currency fluctuations;
- changes in investor sentiment toward particular market sectors;
- changes in government regulation;
- the demand for, and supply of, capital; and
- terrorism or other hostilities.

#### (b) Business risks

While all investments have an associated level of inherent risk, the following specific risks should be considered carefully in evaluating the Company and its prospects.

##### (i) Capital Requirement Risks

An inability to raise the minimum capital requirement amount would severely impinge upon the Company's activities.

Furthermore, depending on the Company's ability to generate income from its operations, the Company may require further financing to fund its operations through equity capital. Any additional equity financing will dilute shareholdings, and debt financing, if available, may involve restrictions on financing and operating activities. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations and scale back its expansion and development programs as the case may be.

##### (ii) Unforeseen Expenses

The incurrence of substantial unforeseen expenses could adversely affect performance and capital requirements.

##### (iii) Growth Management Risk

To achieve the growth objectives set out in this IM, the Company will be required to continue to invest in its operational, information and financial systems, procedures and controls. The inability to implement the growth business strategies outlined in this IM may impact the future financial performance of the Company.

##### (iv) Economic Risks

General economic conditions, movements in interest and inflation rates and currency exchange rates may have an adverse effect on the Company's development and future production activities, as well as on its ability to fund those activities.

(v) Market conditions

The market price of securities, albeit unlisted at present, can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities. Neither the Company nor the Directors warrant the future performance of the Company or any return on an investment in the Company.

(vi) Legislative changes, Government policy and approvals

Changes in government regulations and policies may adversely affect the financial performance of the Company and its capacity to implement its business plans.

(c) Economic Risks

General economic conditions, movements in interest and inflation rates and currency exchange rates may have an adverse effect on the Company's project development and production activities, as well as on its ability to fund those activities. Furthermore, share market conditions may affect the future of the Company regardless of the Company's operating performance in terms of any planned listing on the ASX. Share market conditions are affected by many factors such as general economic outlook; interest rates and inflation rates; currency fluctuations; changes in investor sentiment toward particular market sectors; the demand for, and supply of, capital; and terrorism or other hostilities. This may impact on the success and timing of the Company entry to an ASX entity or conducting an Initial Public Offering on ASX.

(d) Regulatory Risks

The introduction of new legislation or amendments to existing legislation by governments, developments in existing common law, or the respective interpretation of the legal requirements in any of the legal jurisdictions that govern the Company's future operations or contractual obligations, could impact adversely on the assets, operations and, ultimately, financial performance of the Company.

Changes in relevant taxes (including the GST), legal and administrative regimes and government policies in Australia and overseas may adversely affect the financial performance of the Company. Any change to the current rate of company income tax in Australia will impact upon Shareholder returns. Any change to the current rates of income tax applied to individuals and trusts may also impact upon Shareholder returns. In addition, any change in tax arrangements between Australia and other jurisdictions could have an adverse impact on profits and the level of franking credits available to frank any future dividends.

**Specific Company Risks**

(a) Intellectual Property

Competition in retaining and sustaining protection of intellectual property and the complex nature of intellectual property can lead to expensive and lengthy patent disputes for which there can be no guaranteed outcome. Although the Company will implement all reasonable endeavours to protect its rights to utilize the intellectual property inherent in its associated Technologies via joint ventures, acquisition or its own development, there can be no assurance that these measures will be sufficient.

(b) Commercialisation of the Technology

While the Company is employing best endeavours to develop and commercialise its technologies, there is no guarantee that the system will be able to be viably commercialised. A failure to achieve commercialisation of its technologies will have a significant adverse impact on the Company's business model, operating results and financial position.

(c) Research and Development

The Company can make no representation that any research into or development of the Technologies necessary to achieve commercialisation will be successful.

(d) Competition

There is no assurance that competitors will not succeed in developing products and services that are more effective or economic than the Company's.

(e) Loss of Key Clients

Although the Company is fully expecting to establish key client relationships, there is no guarantee that such relationships will be established and if in the future it does obtain clients, it is possible that the loss of such clients could adversely affect the operating results of the Company.

(f) Potential Acquisitions

As part of its business strategy, the Company may make acquisitions of, or significant investments in, complementary companies, products or technologies either directly or under licensing arrangements. Any such future transactions would be accompanied by the risks commonly encountered in making acquisitions of companies, products and technologies.

(g) Reliance on Directors

At the date of this IM, the responsibility of overseeing the day-to-day operations and implementation of the business plan and strategies depends substantially on its directors. There can be no assurance given that there will be no detrimental impact on the Company if one or more of these directors resign from the Company, particularly if this occurs prior to the Company having the financial resources to secure full time executive staff. Furthermore, there can be no guarantee that the Company will be able to attract and retain suitably qualified and experienced employees in the future.

## NEUTRALYSIS APPLICATION FOR SHARES

The Directors  
Neutralysis Industries Pty Ltd  
(ACN 156 261 791)

I/We \_\_\_\_\_

of \_\_\_\_\_

hereby apply for \_\_\_\_\_ ordinary fully paid shares in the capital of Neutralysis Industries Pty Ltd ("**Company**") at a subscription price of A\$1,000 per share, or such lesser number of shares as may be issued to me/us by the Company. I/We herewith tender attached evidence of receipt of direct deposit payment to the nominated account of the Company or a cheque for \_\_\_\_\_ in payment of the subscription amount.

I/We agree to be bound by the Constitution of the Company.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2021.

\_\_\_\_\_  
Applicant to sign

\_\_\_\_\_  
Second applicant to sign  
(in the case of an application in Joint Names)

or, if the applicant is a company, signed in accordance with Section 127 of the Corporations Act:

\_\_\_\_\_  
Director,

\_\_\_\_\_  
or Director /Company Secretary sole director & sole  
secretary (please delete as applicable)

### *Payment Instructions*

*Direct deposits should be made to:*

*Account Name: Neutralysis Industries Pty Ltd*

*BSB 016008*

*Account # 4291-25076*

## EXCLUDED OFFER OF SHARES

The offer of shares under this IM and the agreement arising from acceptance of this offer is personal to you and does not constitute an offer to any other person or to the public generally in Australia or anywhere else.

You may not assign, transfer, or in any other manner, deal with your shares, or your rights or obligations under the agreement arising from the acceptance of this offer without the prior written agreement of the Company in accordance with all relevant legal requirements.

## PURPOSE FOR PLACEMENT

The Company is not issuing the placement shares for the purpose of the investors selling or transferring them (or granting, issuing or transferring interests in, or options or warrants over them). It is the Company's preference and intention that investors acquire the placement shares and remain medium to long term holders of the shares.

## REPRESENTATIONS, WARRANTIES AND AGREEMENTS BY INVESTORS

By accepting this offer of shares, you represent, warrant and agree for the benefit of the Company that:

- a) you have made and relied upon your own assessment of the Company and have conducted your own investigations with respect to the shares and the Company including, without limitation, the particular tax consequences of purchasing, owning or disposing of the shares in light of your particular situation;
- b) your acknowledgement that no disclosure document has been prepared or lodged with ASIC in connection with the placement;
- c) you have read, understood and accepted the terms of this offer made to you;
- d) the offer made to you does not constitute a securities recommendation;
- e) you are either:
  - i. a person in relation to whom either or both of Sections 708(8)(a) and (b) apply in respect of the shares;
  - ii. a "sophisticated investor" within the meaning of Section 708(8)(c) of the Corporations Act and have given to the Company a certificate to that effect in accordance with that section; or
  - iii. a "professional investor" within the meaning of Section 708(11);
- f) you acknowledge the Company's statement that it is not issuing the shares for the purpose of the investors selling or transferring them, or granting, issuing or transferring interests in, or options or warrants over them and that it is the Company's preference that investors acquire the Shares as an investment to be held for at least the medium term (i.e. longer than 12 months);
- g) it is your present intention to be an investor in the shares and to remain so for at least the medium term, which confirmation is understood to be a statement by you of present intention only but not an undertaking not to sell, particularly where your investment objectives or market conditions change;
- h) you agree to be bound by the Constitution of the Company.

## EXCLUDED PARTY DECLARATION

Investing Entity: \_\_\_\_\_

I/We represent to Neutralysis Industries Pty Ltd that I am/we are one of the following as indicated (please tick appropriate box below):

- ☐ A person with net assets of at least \$2.5 million **OR** gross income for each of the last two financial years of at least \$250,000 a year. I/we have attached to this declaration a certificate given by a qualified accountant certifying the same
- ☐ An Associated Party of the Company
- ☐ A licensed or exempt dealer acting as principal
- ☐ A licensed or exempt investment adviser acting as principal
- ☐ A body registered under the Life Insurance Act 1995 or the Financial Corporations Act 1974
- ☐ A regulated superannuation fund, an approved deposit fund, a pooled superannuation trust, or a public sector superannuation scheme within the mean of the *Superannuation Industry (Supervision) Act 1993*. NOTE: The fund, trust or scheme must have net assets of at least \$10 million to qualify as an excluded party under this paragraph
- ☐ A terminating building society within the meaning of the *Financial Corporations Act 1974*
- ☐ A friendly society within the meaning of the Life Insurance Act 1995
- ☐ A person who controls at least \$10 million (including any amount held by an associate or under a trust that the person manages) for the purpose of investment in securities

(These terms have the same meaning as in section 708 *Corporations Act*)

**If application is by an individual:**

Signature: \_\_\_\_\_

Date: \_\_\_\_\_

**If application is by a company (state if sole director):**

Executed by: \_\_\_\_\_ and \_\_\_\_\_  
 (Director) (Director/Company Secretary)

Date: \_\_\_\_\_

**SOPHISTICATED INVESTOR CERTIFICATE**

Pursuant to Section 708(8)(C) of the Corporations Act

**To:** Neutralysis Industries Pty Ltd

ACN 156 261 791

78 Wyndham Street, Shepparton Victoria, WA 3630

**INDIVIDUAL'S FULL NAME OR COMPANY NAME & ACN / ABN:****ADDRESS DETAILS:**

In accordance with Section 708(8) of the Corporations Act 2001, I hereby certify that the identity whose details are set out above:

- a) Has net assets of at least \$2.5 million; or
- b) Has a gross income for each of the last 2 financial years of at least \$250,000 a year.

Accountant's Details:  
(Signature of Qualified Accountant)

(Please print details below)  
Full Name:

Company  
or Practice Name:

Date:

Address:

Under ASIC Regulatory Guide RG 154.2 the signatory is approved as a "Qualified Accountant" as below:

- (a) any member of CPA Australia ("CPAA") who is entitled to use the post-nominals "CPA" or "FCPA", and is subject to and complies with CPAA's continuing professional education requirements;
- (b) any member of the Institute of Chartered Accountants in Australia (ICAA), who is entitled to use the post-nominals "CA", "ACA" or "FCA", and is subject to and complies with the ICAA's continuing professional education requirements; and
- (c) any member of the National Institute of Accountants ("NIA") who is entitled to use the post-nominals "PNA", "FPNA", "MNIA" or "FNIA", and is subject to and complies with the NIA's continuing professional education requirements.