Acquisition of Lumex and $4m equity raising
7 June 2018

Leading provider of innovative technologies, products and solutions

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Stokes Limited
ACN 004 554 929

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Transaction overview

Acquisition overview	• Stokes has entered into a binding agreement to acquire the business and operating assets of the Lumex Lighting business ("Lumex") from Scholz industries Pty Ltd ("Scholz") • The acquisition consideration will be satisfied via an initial issue of up to 6 million new shares in Stokes to Scholz, representing up to 8.8% of the total issued share capital of Stokes (escrowed for 24 months) • The implied acquisition value, based on the Placement Offer Price is: $1.2 million • The acquisition is conditional on raising a minimum of $2m via a placement (refer below) • The effective completion date for the acquisition is expected to be 1 August 2018 • Earn-out structure in place for achievement of certain financial performance metrics over FY2019 and FY2020 • Key Lumex management with deep industry expertise (including Erik Scholz, Founder) to be retained as part of the acquisition
Lumex overview	• Lumex is a leading Australian supplier of energy efficient lighting solutions to commercial and industrial markets, through LED lighting, electrical accessories, lighting monitoring and controls and energy scheme support • Lumex achieved sales of approximately $7.1million in the twelve months to 31 March 2018. • The acquisition includes the transfer of a 3.75% equity interest in NuGreen Solutions, a leading Australian Energy Services Company (ESCo) that audits, finances, delivers and maintains energy efficiency solutions for the built environment. NuGreen is 75% owned by Plenary Group, an independent, long-term investor, developer and manager of public infrastructure
Strategic rationale	• Non-cash transaction with vendor's principal being retained and highly-incentivised through deferred consideration structure • Creation of a unique value proposition around electrical products, services and energy efficiency for the commercial, industrial and infrastructure sectors • Extends existing lighting offering into the highly-attractive energy efficiency lighting market • Potential to leverage operational expertise, relationships and corporate infrastructure for growth
Funding	• To coincide with the acquisition, the Company is seeking to raise up to $4 million via a placement of ordinary shares to fund working capital, integration costs, to retire debt and strengthen the Company's balance sheet ("Placement"). • The acquisition will be a non-cash transaction funded via an initial issue of up to 6,000,000 new shares in Stokes to Scholz, representing 8.8% of the total issued share capital of Stokes (on a fully-diluted basis assuming $4m raised via the Placement)

Overview of Lumex

The Lumex business is focused on providing commercial and industrial markets with energy savings through LED lighting, electrical accessories, lighting monitoring and controls, energy services and energy scheme support. http://lumexlighting.com.au/

Recognised as a leader in performance, range and support, Lumex is the trusted brand for LED lighting and Electrical Accessories throughout Australia. Lumex offers a comprehensive range of LED lighting solutions across a number of market sectors.

Through the supply of strong brands such as *Lumex (owned), Vynco (licenced), Audacy (licenced),* and others, Lumex holds a strong position in the electrical market, through key energy and electrical integrators, selected significant end users, and electrical distributors.

In surveys from Electrical Connection magazine, Lumex has been recognised as the #1 Australian-owned brand in LED lighting for 2013, 2014, 2015, 2016 and 2017 in surveys from Electrical Connection magazine, amongst some significant global brands in LED Lighting.

EnerSpec is an innovative program by Lumex, that was developed as a service for Industrial and commercial customers to audit, assess requirements, design systems, and calculate paybacks and savings from the installation of energy efficient LED lighting and controls.

Link to Lumex video

https://vimeo.com/113248887

Link to EnerSpec video

Stokes

https://vimeo.com/161553178

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Overview of Lumex
Key Management

Erik Scholz

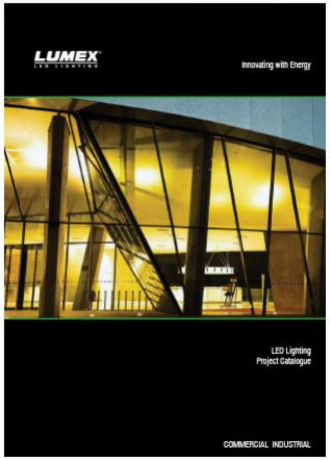
Founder of Lumex

- Mr Scholz established Scholz Industries in 2009, through small acquisitions, and organic activity. Scholz recently sold the non-electrical divisions, allowing the remaining business (Lumex) to position itself as a pure energy efficiency play.
- Established Enesolve Pty Ltd with partners to create one of the pioneering energy efficiency solutions providers in 2009. This was sold in 2012 to Gerard Lighting (a joint shareholder at that time.)
- Established Nugreen Solutions Pty Ltd in 2013 with strategic partners. Plenary Group acquired a 75% interest in Nugreen in 2017. Nugreen remains a critical strategic investment and customer in NZ and Australia for Lumex. The business is regarded as a leader in this space.
- Former executive management roles:
  - General Manager, Gerard Industries/Clipsal (10 years)
  - Executive General Manager, Schneider/Clipsal Electrical Accessories Pacific Zone, 3 Years
  - CEO Clipsal/Schneider, Pacific Zone (4 years)
  - Member Schneider Asia Region Executive Committee (6 years)
  - (Clipsal was acquired for $750 mill by Schneider Electric in 2003)
- Erik left Schneider in 2009 to establish a number of companies including Mayfield Industries (acquired from Leighton Holdings). Erik was involved in the acquisition of Moducell, Walker Controls, Power Parameters and STE solutions for Mayfield Industries creating a group focused on the Industrial and Mining Electrical Sector.

Overview of Lumex
Products, services, markets and customers

The Lumex offer is a package solution. All product and service groups come together to provide the customer with lighting, controls and accessories which deliver substantial savings, whilst meeting their expectations on aesthetics, performance and functional suitability.

Products/ Services	Key Brands			
	LUMEX	VYNCO	enerspec	AUDACY
LED Lighting	○			
Lighting Controls	○			○
Control Accessories	○	○		
Service for auditing, proposals, design, submissions.			○	



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Recent Lumex applications

Kathmandu Head Office

Kathmandu®

The Challenge

- Work-Space Lighting Solution
- New Build

The Solution

NovaLED Maxi GEN 2 Downlight

- Customised DALI system
- HiColour CRI>90
- LED life>100,000
- IP54
- IK07
- Ripple Free
- Seven Year Warranty

NovaBlade Panel

- HiColour CRI>90
- LED life>50,000
- IP40
- IK10
- Ripple Free
- Seven Year Warranty

KEY INFORMATION
72 Maxi Downlights 53 Novablade Panels
7 Year Maintenance Free Period
$90,000 Savings over 10 years

Eureka Tower Lighting Upgrade

EUREKA

Eureka Tower Lighting Upgrade | Southbank, Victoria

The Project:

Melbourne's prestigious Eureka Tower is a 297.3 metre (975ft) skyscraper located in the Southbank precinct. The tower features premium quality accommodation in one of the most sought after locations in the CBD.

With a colossal total of 84 floors of apartments, building facilities and the famous Eureka Skydeck, it is the tallest building in Melbourne, and in fact the 12th tallest residential building the world.

Taking advantage of the VEET program, Middy's Casey Electrical and Ozwide Group were able to facilitate a subsidised lighting upgrade in the skyscraper.

The expectation was to deliver significant reductions in lower energy and maintenance costs. Other assumptions included longer lamp life, and improve lighting levels across all common areas of the tower.

The Solution:

The retrofit largely consisted of the replacement of over 2,000 halogen downlights throughout the common areas with Lumex 10W NovaLED substitutes. This change-over has significantly decreased the energy consumption of the building, while actually increasing brightness levels.

The Eureka Tower was provided with a full project consultancy, installation services and a significant Victorian Energy Efficiency Certificate (VEEC) abatement. The outcome of this collaborative project is projected to see Eureka save over $1,000,000 in energy and maintenance savings over the next ten years.

Potential Energy & Maintenance Savings:

As a result of the upgrade, the Eureka Tower is now generating over 80% annual kWh savings, which amounts to an annual saving of $86,000 in electricity costs.

Considering the investment, the payback period for the upgrade was a mere 8 months.

Furthermore, the project has abated over 1200 tonnes of C02 per year with lifetime project savings estimated to amount to $1,082,962 over ten years.

FACTS	
Fittings that were replaced	OVER 2000
Lumex LED Product	NOVALED™ DOWNLIGHT (LL1N11DU)
Energy Savings achieved	80%
Payback Period	8 MONTHS
Product Warranty	7 Years
Annual Electricity Savings	$86,100
VEET discount	$11,368
CO2 Reduction (Tonnes)	1,274
Lifetime Project Savings (Ten Years)	$1,082,962

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Recent Lumex applications

Myer Lighting Upgrade - Chadstone

MYER

Myer Lighting Upgrade | Chadstone Shopping Centre Melbourne, Victoria

The Myer retail stores are undergoing significant refurbishment across the lighting requirements. With a focus on quality of light critical to the purchasing decisions of consumers, the client along with our valued electrical partners turned to Lumex to understand what can be done to improve the quality of light without increased expense of a complete lighting replacement program.

The Project:

Myer is committed to providing a high quality retail experience through inviting point of sale activity, merchandise configurations and promotional activity.

Fundamental to the consumer experience is the ability to identify key parts of the store quickly. To maintain a fresh look within the retail environment is often challenged by the ceiling grid configuration.

The arrangement of light fittings and focus required in key areas throughout the store is paramount to store activity, as with the right design, the consumer can be directed to key areas of promotional activity.

Further, the client was limited on budget and time constraints to complete the lighting replacement program. It was this limitation that challenged the design team at Lumex to deliver an innovative approach to retail illumination.

Through careful review of the existing infrastructure first and awareness of budget constraints, the team developed an industry **modular** lighting array.

The Solution:

Keeping in line with the client brief of a cost effective, high light output solution, the team at Lumex created an industry first Lumex LightBank light array.

A cost effective solution is to cut their energy usage and costs through lighting, which plays a major part in their overall consumption. To date the pilot consisted of a mix of 3 x 3 and 5 x 2 Lumex LightBank configurations allowing the client to adapt the use according to retail promotional activity.

Combined with the Lumex 7 year warranty program and unbeatable performance in terms of light quality, colour rendering and low wattage consumption, there is no competition when real innovation delivers.

THE BENEFITS
Increased focussed light output by 60%
Support store wide promotional activity
High colour rendering provides brilliant colour tones ideal for retail light (CRI >90)
Light level adjustable
Zero maintenance
Latest technology enhancements
Ideal retail lighting application
Seven year warranty
Fully Australian approved

Cairns Airport Energy Efficiency Upgrade

Cairns airport

Cairns Airport Energy Efficiency Upgrade | Cairns, Queensland

The Project:

Identifying lighting area constraints with appropriate LED lighting solutions to replace current fixtures:

- Departure Concourse
- Departure Lounge
- Arrivals Concourse
- Arrivals Customs Area
- Bagging Handling Area
- Middle Section Ground Floor

The Solution:

The Concourses: The International Terminal Arrival and Departure Concourses, and the Departure Lounge area was lit by over six hundred 400W and 175W Metal Halide HighBays mounted between 6 to 12 metres high.

The solution was to replace these with a selection of Lumex SkyBay™ LED HighBays across a range of power ratings, from 150W down to 60W. This design improved the overall light level and reduced the airport's energy consumption in these areas by around 80%.

The Walkways: The Terminal Walkways were fitted with over one hundred 2x26W PLC recessed downlights. The solution was to replace them with 31W Classico™ Range LED downlights. This provided a higher level of illumination, and a 40% saving in energy.

The Baggage Area: The baggage area was lit with 130 weatherproof fixtures (2x36W T8). The fluorescent tubes were replaced with 18W Lumex Linear LED T8 to achieve a minimum 50% energy saving without loss of lighting level.

The Security Area: The level of illumination in the Security and Inspection area of the Domestic Terminal was noticeably poor considering the importance of the activity there. To boost the light level the forty 2 x 28W T5 troffers were replaced with Lumex NovaBlade™ LED Panels drawing a total of 40W each. This not only achieved the desired improvement in the light levels, but also achieved an energy saving of around 25%.

Potential Energy & Maintenance Savings:

Cairns Airport has made a significant investment in upgrading their lighting and energy efficiency, but there is no doubt that the investment is a sound one. Running 24 hours a day, 365 days a year, the improvements in efficiency, and the savings in energy and ongoing maintenance will provide their payback expectations.

FACTS	
Fittings that were replaced	938
Lumex LED Product	SKYBAY™ LED HIGHBAY (LL2LHB## SERIES) NOVABLADE™ LED PANEL LIGHT 600 x 300mm (LL9P63N) CLASSICO™ DOWNLIGHT (LL1CM10## SERIES)
Energy Savings achieved	>80%
Product Warranty	7 YEARS

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Proposed Company name change

Why change the name?

- **ENEVIS = Energy Efficiency with VISION**

- Now is an appropriate time to change the name of the Company to reflect the repositioning of the Group as a leader in energy efficiency-oriented technologies and services, and market-leading audio-visual products and solutions.

- ***ENEVIS*** more accurately describes the Company's renewed focus and aligns with the future strategic direction of the Company.

Strategic rationale

The acquisition of Lumex energy efficiency products and services will complement the Company's existing lighting and audio visual technologies division, broadening its offering and providing a seamless and coordinated solution for the commercial, industrial and infrastructure sectors

ENEVIS

Audio Visual Technologies	Architectural and Street Lighting	Energy Efficiency Products
Stokes Technologies	Urban Lighting Group	LUMEX Innovating with Energy; enerspec energy efficiency partnerships by LUMEX

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Strategic rationale

1. Non-cash transaction with vendor's principal being retained and highly-incentivised through deferred consideration structure

2. Creation of a unique value proposition around electrical products, services and energy efficiency for the commercial, industrial and infrastructure sectors

3. Extends existing lighting offering into the highly-attractive energy efficiency lighting market

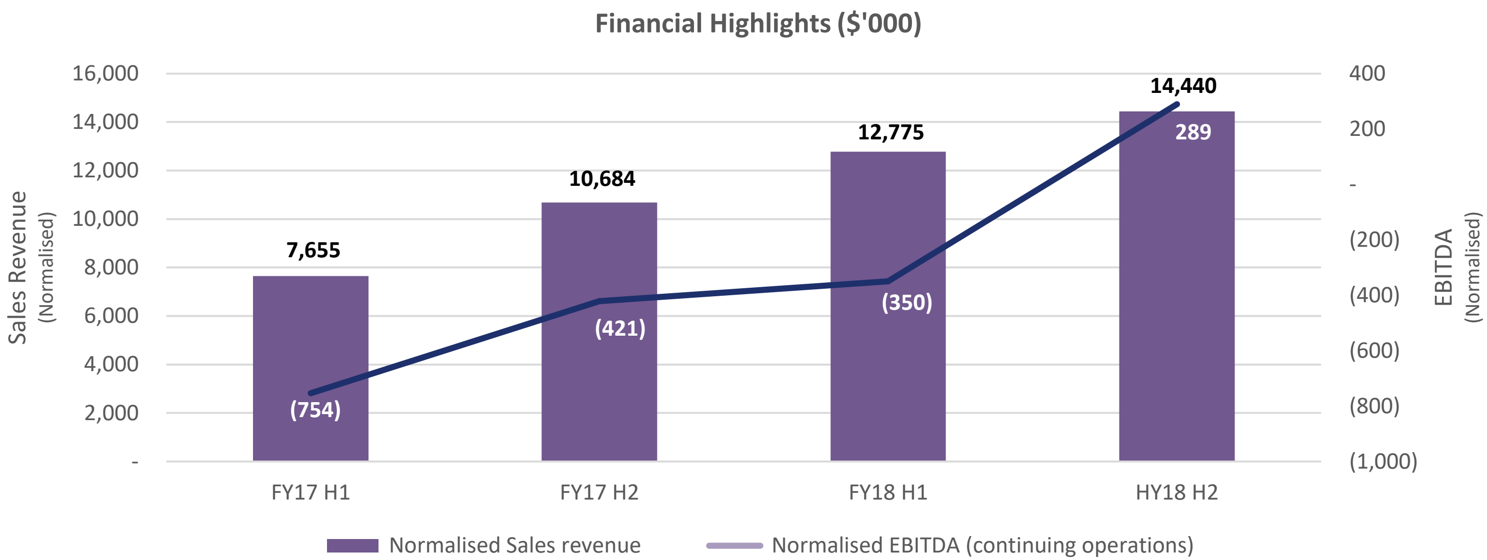
4. Potential to leverage operational expertise, relationships and corporate infrastructure for growth

Transaction structure

- The acquisition consideration for the Lumex acquisition will be satisfied via an initial issue of up to 6 million new shares in Stokes to Scholz (escrowed for 24 months), representing up to 8.8% of the total issued share capital of Stokes on a full-diluted basis, assuming $4 million is raised via the Placement.
- In the twelve months to 31 March 2018, Lumex achieved sales of approximately $7.1 million.
- The implied acquisition value, based on the shares issued to Scholz and the issue price under the Offer is: $1.2 million.
- An earn-out structure over the two financial years ending 30 June 2020 has been agreed with Scholz, which is contingent on Lumex achieving the following financial performance metrics:
  - **FY2019** **Revenue $11.2 – 14.0 million and EBITDA of between $1.12 - $1.40 million**
  - **FY2020** **Revenue $15.2 – 19.0 million and EBITDA of between $1.52 - $1.90 million**
- In consideration of Lumex achieving these metrics, Scholz may be issued further shares in Stokes (following release of audited accounts) as follows:
  - **FY2019** **Up to 2,000,000 new shares**
  - **FY2020** **Up to 2,000,000 new shares**

  No shares will be issued in either year unless the minimum EBITDA thresholds have been achieved.
- The acquisition is conditional on raising a minimum of $2 million via a Placement
- Key Lumex management with deep industry expertise (including Erik Scholz, Founder) to be retained as part of the acquisition

Company trading update



Refer appendix for notes to the above chart and commentary

Highlights 1st Half FY2018

- **Normalised sales revenue up 66% over 1st Half FY2017** (61% on reported revenue)
- **Gross profit as a % steady at 24% (vs. 24%)**
- **Normalised Group EBITDA loss reduced to $0.35m from $0.75m loss reported in 1st Half FY2017**
- **Underlying corporate cost structure now stable to support and leverage future growth**

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Highlights & Guidance 2nd Half FY2018

- **Guidance for H2 FY2018**
  - **Estimated Revenue $14.4 million**
  - **Underlying EBITDA $0.29m (normalised to remove one-offs)**
  - **Gross profit of 26%**
- **Estimated 35% increase in normalised Revenue from H2 FY2017 to Est. H2 FY2018**
- **Estimated $1m turnaround in normalised EBITDA from H1 FY2017 to Est. H2 FY2018**

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Trading Update – Commentary 2nd Half FY2018

As reflected in the "Company Trading Update", Guidance FY18 H2 revenue has increased by **13%** over the revenue for FY18 H1 and there has been a positive turn around in normalised EBITDA. This reflects an improved pipeline of projects across the business units and operational restructuring initiatives.

Technologies Update

Significant audio visual contracts secured (as Announced on 20 March 2018) included:

- The Vision 2020 redevelopment project will transform State Library Victoria, inclusive of the refurbishment of the Library's incomparable heritage spaces, the creation of innovative new spaces for children and teenagers, and the reinvention of services as the library embraces new technologies and promotes digital literacy and creativity for all Victorians.
- The new multi-storey development of student accommodation on the fringe of the Melbourne CBD will include a large integrated entertainment floor with in excess of 700 individual high tech student suites. The fully integrated system uses a modern IPTV backbone and Smart displays, designed to deliver high-speed Internet-borne entertainment.

Stokes contribution towards the above projects are due for a staged forecast completion by the end of 2019.

These recent wins add to a strong book of work entering the 2019 fiscal year and are in addition to the previously secured works for Joan Kirner hospital. Due for completion in late 2018, the new $200 million Joan Kirner Women's and Children's Hospital will be a multi-storey facility with 20 labour delivery rooms, 39 Special Care Nursery cots, 64 women's inpatient beds, 32 children's inpatient beds, four operating theatres and additional outpatient clinics. As part of the project, 55 existing acute adult inpatient beds at Sunshine Hospital will also be refurbished.

Urban Lighting Business

As outlined in the 2017 Annual Report, Stokes acquired a Street Lighting business on 28 October 2016. After a period of transition and restructure, this business is contributing positively at an EBITDA level and Stokes is seeing increased demand for its products reflecting quality product delivery and service.

The architectural lighting business is also seeing improved trading performance on the back of a number of key projects being the:

- Supply of all the architectural light fittings into the new state of the art $128 million VRC Flemington grandstand.
- Supply of the Latrobe University sports lighting upgrade inclusive of all large columns and specifically designed outdoor sports lighting.

Proforma Balance Sheet – Use of Funds

PROFORMA BALANCE SHEET	31-Dec-17	Sources		Uses			Proforma Post Placement
All figures in $'000		Capital Raise [1]	Acquisition [3]	Working Capital [4]	Debt Retirement [5]	Transaction Costs [6]	
Current assets	8,325	3,800	1,000	(1,310)	(2,300)	(190)	9,325
Non-current assets	1,293						1,293
Total assets	**9,618**	**3,800**	**1,000**	**(1,310)**	**(2,300)**	**(190)**	**10,618**
Current Liabilities							
R&D tax payable	(2,492)				1,000		(1,492)
Other	(7,704)			1,310			(6,394)
	(10,196)	-	-	1,310	1,000	-	(7,886)
Non-current Liabilities							
Loans from Moller Volantor	(1,500)	200			1,300		-
Other	(211)						(211)
	(1,711)	200	-	-	1,300	-	(211)
Total Liabilities	**(11,907)**	**200**	**-**	**1,310**	**2,300**	**-**	**(8,097)**
Net assets	**(2,289)**	**4,000**	**1,000**	**-**	**-**	**(190)**	**2,521**
Contributed equity							
$	14,450	4,000					18,450
No.	42,087	20,000	6,000				68,087

Note: The pro forma balance sheet set out on this page has been prepared for illustrative purposes to show the pro forma impact on the Company's consolidated balance sheet as at 31 December 2017 of the Capital Raise. The pro forma balance sheet has been prepared using the following assumptions:

1. Assuming successful completion of A$4m capital raise.
2. Subject to shareholder approval, and assuming the $4m raise, Mr. Greg Jinks intends to subscribe for 5% ($200,000) via a conversion of debt to equity.
3. A completion stocktake will be undertaken to determine the valuation of inventory acquired. For this purpose, assumed as $1m which is sufficient to ensure the allotment of the initial Consideration Shares (6m).
4. Funds applied to reducing trade and other payables and debtor finance facility leaving room to draw for acquisition working capital funding.
5. Funds applied to repay loans from Moller Volantor, related entity to Mr. Greg Jinks, subject to required approvals and priority of funds application. The debt retirement plan also includes setting aside $1m into a fund to meet the ATO quarterly agreed payment schedule.
6. The transaction costs relate to the broker fee on cash funds raised. No stamp duty has been included on the acquisition assets as not yet determined at date of Presentation.
7. The pro forma information has been prepared using the accounting policies of the Company.

The pro forma balance sheet is not represented as being indicative of the Company's views on its future financial position. The pro forma balance sheet is presented on the assumption that the Capital Raise will take place by 24 July 2018 and, except as stated in the pro forma adjustments, does not take into account the financial performance, cash flows or other movements in balance sheet items of the Company for the period from 31 December 2017 to the date of this Presentation or from the date of this Presentation until completion of the Capital Raise.

Equity raising

Offer structure and size	• A share placement to sophisticated and wholesale investors to raise up to $4 million • Up to 20 million new shares to be issued, equivalent to up to 29.4% of the shares on issue, following the issue of the Scholz shares as consideration for the Acquisition
Placement Offer price	• The placement will be conducted at $0.20 per new share (Placement Offer Price)
Use of proceeds	• Proceeds from the Placement will be used to fund working capital, integration, transaction costs and retire debt
Ranking	• New shares issued will rank pari passu with the existing Shares
Shareholder participation	• Mr Peter Jinks, a Director and substantial shareholder in the Company, will subscribe for 5% of the Placement shares, subject to prior shareholder approval • Mr Greg Jinks, a Director and substantial shareholder in the Company, will subscribe for 5% of the Placement shares, subject to prior shareholder approval

Equity raising timetable

Event	Target Dates
Announcement of Acquisition and Placement	7 June 2018
Announcement of Notice of Meeting for an Extraordinary General Meeting ("EGM")	12 June 2018
Despatch EGM documents to shareholders	15 June to 20 June 2018
Date of EGM	20 July 2018
Placement funds received, placement Shares allotted and commence trading on ASX	23 July 2018
Completion of the acquisition and allocation of Scholz shares	1 August 2018

Key risks

Shareholders should consider the investment in the context of their individual risk profile for speculative investments, investment objectives and individual financial circumstances. Each Shareholder should consult their own stockbroker, solicitor, accountant or other professional adviser before deciding whether or not to invest in the New Shares. An investment in New Shares should be regarded as very speculative and involves many risks. The New Shares carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those Shares.

The following is not intended to be an exhaustive list of the risk factors to which the Company is exposed and Shareholders should have regard to those risk factors that may be relevant to their own personal circumstances before deciding to invest in New Shares.

Without limiting the above, some risks particular to the Company's business include:

Business strategy execution risk: The Company's future growth and financial performance is dependent on the Company's ability to successfully execute its business strategy. This will be impacted by a number of factors, including the Company's ability to:

- continue to expand through organic growth;
- ability to successfully integrate, leverage synergies and extract value from products acquired through acquisition;
- innovate and successfully commercialise through distribution arrangements new products that are appealing to the market, in terms of its energy efficiency expansion strategy;
- comply with regulatory requirements.

There can be no assurance that Stokes can successfully achieve any or all of the above initiatives / strategies. The failure by Stokes to successfully execute its business strategy could have a material adverse effect on the Company's business, financial condition and results of operations.

Failure to retain existing customers and attract new customers - The Company's success depends on its ability to continue to retain its current customer base, organically grow with delivery of new solutions to meet requirements of those existing customers and attract new customers. Failure to retain existing customers or attract new customers would materially impact the Company's ability to generate revenue which will have an adverse effect on the Company's operating and financial performance.

Reliance on key personnel – The Company operates with a small management team and the loss of key management personnel could cause a material disruption and adversely affect the Company including the achievement of its product and service development.

ATO agreement risks – as the Company has Announced Stokes informed the Australian Taxation Office ("ATO") that it will be making a voluntary disclosure to amend its R&D Tax Incentive claim for the 2015 and 2016 income years in full (the Debt) and has reached an in-principle agreement with the ATO for orderly payment of the Debt and associated interest charges. Broadly, this will comprise a 10% upfront payment of the Debt with the balance to be paid in instalments over a three (3) year timeframe. The terms of this agreement remain to be formalised by written agreement with the ATO and hence there remains a risk that the nature of the agreement (despite being agreed in-principal) may vary once contractual documents are received. That noted, importantly there is no dispute with the ATO and accordingly no indications of any agreed conditions being changed.

Key risks

Credit risks - Credit Risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss. The Company is exposed to credit risk across its operations and particularly within the construction side of the business which is centred around higher value progress claims. The Company has policies and practices to mitigate such risk including of only dealing with creditworthy counterparties and obtaining maximum security protection over its debtor's book by way of trade credit insurance. However, changes in credit insurance acceptance mid way through projects or corporate decisions to accept risk in certain circumstances (amongst other factors) still creates risks.

Foreign Exchange and Margin risk – the Company purchases a material proportion of its products from overseas suppliers in US Dollars and Euros. Accordingly, it is exposed to FX fluctuations on its purchases which may, or may not, be able to be passed through to the customer. FX fluctuations can therefore have material impacts on margins. The company currently does not engage in FX hedging but may do so in future on large scale projects as a means to manage this risk.

Disruption of business operations - The Company and its customers are exposed to a large range of operational risks relating to both current and future operations. Such operational risks include occupational health & safety, industrial action or disputes and key supplier risks. A disruption in the Company's operations or those of its customers may have an adverse impact on the Company's growth prospects, operating results and financial performance.

Regulatory risks - The Company; its services and products are subject to various laws and regulations including but not limited to product compliance; accounting standards and tax laws. Changes in these laws and regulations (including interpretation and enforcement) could adversely affect the Company's financial performance.

Sufficiency of funding: Stokes currently has limited financial resources and is raising capital to advance development and growth of its longer-term objectives. Stokes has not yet achieved profitability. The Company may need to raise future capital dependent on success of its strategy however its ability to raise additional funds and the price at which any funds are raised, will be subject to, among other things, factors beyond the control of Stokes and its Directors, including cyclical factors affecting the economy and share markets generally. The Directors can give no assurance that future funds can be raised by Stokes on favourable terms, if at all.

Appendices

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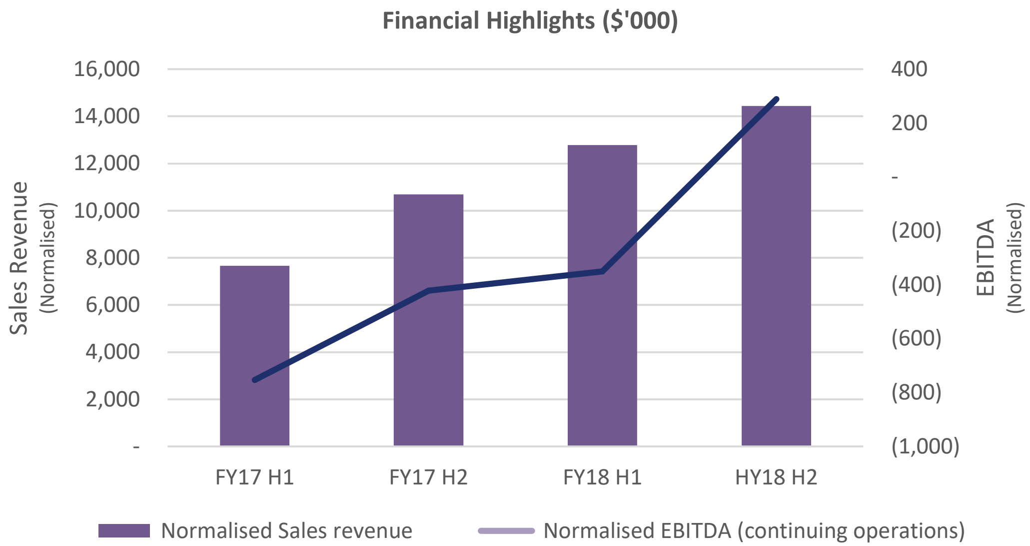
Financial performance summary and notes



$'000 (continuing operations)	FY17 H1	FY17 H2	FY18 H1	HY18 H2 Guidance
Sales revenue (normalised)	7,655	10,684	12,775	14,440
Underlying EBITDA	(754)	(421)	(350)	289

Sales Revenue comments and associated qualifications:

- FY17 H1: Refer Financial report for Half-Year ended 31 December 2017 for restated comparative results for the half year ended 31 December 2016 and Stokes 1st Half FY2018 earnings summary (next slide) for a normalisation of the reported numbers.
- FY17 H2: Sales revenue restated from reported results to remove the impact of discontinued operation (Dueltek) sales and remove revenue booked on the Geelong Simonds Stadium project ($1.6 m) as reported in that financial period. This is an unaudited and unreviewed number. The uplift in sales revenue from FY17 H1 includes the impact of the acquisition of Artcraft Urban Group on 28 October 2016 as reported in note 23 of the lodged Financial Statements for the year ended 30 June 2017.
- FY18 H1: Refer Financial report for Half-Year ended 31 December 2017 and Stokes 1st Half FY2018 earnings summary (next slide).
- FY18 H2: Reflects five (5) months of actuals and one (1) month of forecast. These are unaudited and unreviewed numbers.

EBITDA comments and associated qualifications:

- FY17 H1: Refer Financial report for Half-Year ended 31 December 2017 for restated comparative results for the half year ended 31 December 2016 and Stokes 1st Half FY2018 earnings summary (next slide) for a normalisation of the reported numbers.
- FY17 H2: EBITDA restated from reported results to remove the impact of discontinued operation (Dueltek) and remove the gross profit booked ($0.18m) on the Geelong Simonds Stadium project reported in that financial period. This is an unaudited and unreviewed number.
- FY18 H1: Refer Financial report for Half-Year ended 31 December 2017 and Stokes 1st Half FY2018 earnings summary (next slide) for a normalisation of the reported numbers.
- FY18 H2: Reflects five (5) months of actuals and one (1) month of forecast. These are unaudited and unreviewed numbers, normalised to remove one offs related to acquisition, capital raise, McKnight debt and R&D ATO in-principle agreements.

Stokes

Stokes 1st Half FY2018 earnings summary

STATEMENT OF COMPREHENSIVE INCOME All figures in $'000	31-Dec-16				31-Dec-17					
	Underlying Group	Adjustments	*Notes*	Reported	Underlying Operations	Underlying Corporate	Underlying Group	Adjustments	*Notes*	Reported
Sales revenue	7,655	257	*4*	7,912	12,775	-	12,775			12,775
Other revenue	36			36	-	-	-			-
Total Revenue and other income	**7,691**	**257**		**7,948**	**12,775**	**-**	**12,775**			**12,775**
Expenses										
Cost of sales	(5,803)	(218)	*4*	(6,021)	(9,720)	-	(9,720)			(9,720)
Occupancy expenses	(247)			(247)	(264)	-	(264)			(264)
Administration expenses	(2,395)			(2,395)	(2,115)	(1,026)	(3,141)	(98)	*3*	(3,239)
Impairment of financial assets	-			-	-	-	-	(1,479)	*1*	(1,479)
Total Expenses	**(8,445)**	**(218)**		**(8,663)**	**(12,099)**	**(1,026)**	**(13,125)**	**(1,577)**		**(14,702)**
EBITDA	**(754)**	**39**		**(715)**	**676**	**(1,026)**	**(350)**	**(1,577)**		**(1,927)**
Depreciation and amortisation	(70)			(70)	(67)	(6)	(73)			(73)
Finance costs	(298)			(298)	(124)	(106)	(230)	(66)	*2*	(296)
Profit/(loss) before tax continuing operations	**(1,122)**	**39**		**(1,083)**	**485**	**(1,138)**	**(653)**	**(1,643)**		**(2,296)**

Underlying earnings adjustments

Note 1- Net impairment expense of $1,195,499 in relation to doubtful debts associated with the non-payment of a debt owing by McKnight's Electrical against a series of invoices rendered for goods and services completed related to the Stage 4 redevelopment of Geelong Simonds Stadium. Impairment against inventory lines assessed as slow moving and/or obsolete of $283,789.

Note 2 - As previously announced the company reached an in-principle settlement with the Australian Taxation Office to repay in full R&D Tax Incentive claims incorrectly received which were recorded as income in the years ended 30 June 2015 and 30 June 2016 over a 3 year period. The normalisation adjustment reflects the interest expense for the six months ended 31 December 2017.

Note 3 - Costs associated with establishing a warranty provision related to historic products from discontinued operations, legal costs associated with pursuing McKnight's Electrical and professional services fees related to taxation advice on the ATO R&D Tax incentive overstatement.

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Note 4 – revenue and associated cost of sales booked on the Geelong Simonds Stadium project for the half year ended 31 December 2016. Removed for the purposes of a comparative in line with the normalisation adjustment for the impairment charge as outlined in note 1.

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