



CHAIRMAN'S ADDRESS TO SHAREHOLDERS
GENEX POWER LIMITED – 2019 ANNUAL GENERAL MEETING
(22 November 2019)

Dear Shareholders,

Good morning ladies and gentlemen, my name is Ralph Craven and I am the Independent Non-Executive Chairman of Genex Power Limited (the **Company**). I am pleased to welcome you to Genex's fifth Annual General Meeting as a listed company. The year has been one of mixed results with some significant progress made on our key projects but also some disappointment on one of them which I will update you on shortly.

Firstly, I would like to introduce my fellow directors, our Company Secretary and members of our executive management team in attendance today:

- Executive Director, Simon Kidston;
- Finance Director, Ben Guo;
- Non-Executive Directors, Michael Addison and Teresa Dyson;
- Company Secretary, Justin Clyne;
- CEO, James Harding; and
- General Manager of Commercial Finance, Craig Francis.

My fellow Non-Executive Director, Yongqing Yu, offers his apologies as he is unable to be with us today.

Introduction:

As with previous years, FY19 was another busy year in which Genex made strong progress on advancing our diversified portfolio of renewable energy projects with strong progress throughout the year but some disappointing news recently on our Kidston Stage 2 Pumped Storage Hydro Project (**K2-Hydro**) which I will discuss later in my presentation.

During FY19, the 50MW Kidston Solar Project (**KS1**) generated a total of 126,759MWh of power into the National Electricity Market (**NEM**) and we also acquired the 50MW Jemalong Solar Project (**JSP**) in New South Wales for which we have now received credit approval for our debt funding which includes the refinancing of KS1. We are now in the final stages of completing and executing the formal documentation required to reach financial close which will allow us to access funds for the construction of our 50MW solar farm at Jemalong. Genex's flagship Kidston Stage 2 Pumped Storage Hydro Project also passed a number of major development hurdles throughout FY19 and while we experienced a setback recently, we believe we are back on track with a plan for financial close in 2020. However, there remains much work to be done to achieve this.

Our executive and management teams have been fundamental in progressing our projects and I would also like to take this opportunity to acknowledge the support that Genex has received from both the Queensland State Government and Federal Government, and our other partners who recognise the importance of renewable energy as an ongoing source of power for Australia including the Australian Renewable Energy Agency (**ARENA**) and the Northern Australia Infrastructure Facility (**NAIF**).

➤ **KS1 Generation and Revenue update:**

KS1 reached practical completion 12 months ago in November 2018 representing the final milestone of the construction and commissioning stage of the project. KS1 performed well across FY19, continuing to generate clean renewable energy into the NEM. However, KS1's performance was somewhat affected by the unseasonal cyclonic weather in north Queensland earlier this year. Nevertheless, KS1 still generated in excess of \$10 million in revenue. KS1 is financially supported by the Queensland Government via a Solar 150 Financial Support Deed. The Financial Support Deed is known in the industry as a 'Power Purchase Agreement' (**PPA**) which works to guarantee the project's revenues through to July 2038. In FY19, KS1's generation was up 143%, generating 126,759MWh.

➤ **K2-Hydro update:**

Whilst the K2-Hydro project was advanced on many fronts during the financial year, it was unfortunate that we had to announce in early November, that EnergyAustralia (**EA**), our potential offtake partner for the Kidston Pumped Storage Hydro Project, informed Genex that they would not be in a position to reach a positive investment decision on the basis of the long term energy agreement that was outlined in the original term sheet announced in December 2018.

As a result of this decision by EnergyAustralia, Genex advised the market at the time that we would continue to work with EA and our other financiers and counterparties, including NAIF and J-POWER, to restructure the financing for K2-Hydro to ensure a positive investment

decision can be reached and financial close can be achieved in 2020. Since that announcement we have already received additional support from NAIF as announced to the ASX on 13 November that the NAIF Board has approved the extension of the offer of funding for K2-Hydro and, as announced today, the signing of a new Memorandum of Understanding with J-POWER.

The robust nature of the project has been reflected in the major milestones achieved with a number of project stakeholders during and subsequent to the end of FY19, including:

- Signing a \$25m share subscription agreement with J-POWER for Genex's equity requirement for the Project (*refer ASX announcement 6 June 2019*). This agreement has been superseded and replaced with a Memorandum of Understanding signed today, which provides for a share subscription for Genex's equity requirement (on terms similar to those previously announced) and/or subscription for new equity directly in the Project (*refer ASX announcement 22 November 2019*);
- Receiving AEMO GPS Approval for the Project (*refer ASX Announcement 14 June 2019*);
- Receiving NAIF approval of a \$610m concessional loan for the Project (*refer ASX announcement 11 July 2019*) which has now been extended to 30 June 2020; and
- The announcement by the Queensland Government of a funding package for a new transmission line for the Project (*refer ASX announcement 4 September 2019*).

Your Board believes that the delay in the financing and construction of K2-Hydro is not a reflection on the importance or economic viability of the project. The project remains an outstanding opportunity for energy storage and I would like to take this opportunity to update you with some information surrounding the project:

- The project has the strong support of the Queensland Government and has been designated a critical infrastructure project;
- The Queensland Government's commitment to the project is reflected in their provision of up to \$132m in funding towards the construction of the single circuit transmission line from Kidston to Mount Fox;
- The Project has received board approval from NAIF for up to \$610m of concessional debt funding, making this by far NAIF's largest loan commitment to any single project;
- The development of the project will see over \$500m in public benefits delivered to regional Queensland and deliver over 500 direct construction jobs;
- The technical viability of K2-Hydro was reflected in the project receiving Australian Energy Market Operator (**AEMO**) Generator Performance Standard (**GPS**) approval in June 2019;
- The project has an operating life in excess of 80 years and consequently provides an energy storage solution for multiple generations; and

- The project will contribute to the achievement of Queensland's 50% renewable energy target by 2030.

Genex remains firmly committed to the development of the project. Since our announcement on 1 November 2019 we have continued our dialogue with EnergyAustralia and, pleasingly, we have received interest from potential other offtake parties who recognise the long term benefits of the K2-Hydro project in Queensland. We will continue this dialogue with our key stakeholders and look to secure a firm offtake arrangement that will allow for the development of the project to commence in CY20.

➤ **JSP update:**

Genex completed the acquisition of the 50MW Jemalong Solar Project in March 2019. The project is located near Forbes in the central west region of NSW. As I mentioned earlier, the project received credit approval subject to final documentation this week for the combined \$175m of debt funding that will be utilised to finance the construction of the project and to refinance the existing debt facility for KS1.

The senior debt facility is provided by a syndicate of three banks comprising DZ BANK, NORDBANK and Westpac Banking Corporation (Westpac). NAB Advisory is acting as advisor to Genex on the senior debt facility.

With the ongoing operation of KS1, which achieved practical completion in late 2018, Genex now expects to be able to refinance the existing debt package for KS1 in order to secure more advantageous financing terms given the now lower risk profile. By combining the financing of JSP and refinancing of KS1, Genex has been able to structure the financing of JSP on a fully merchant basis. JSP is forecast to be operational in Q4 CY20, which will allow the Company to generate merchant revenues in New South Wales at attractive forecast prices over the coming years as a result of major generator closures, whilst also giving the Company flexibility to secure a power purchase agreement on competitive terms independent of the financing process if the opportunity presents itself.

➤ **Project pipeline:**

K2-Hydro remains Genex's key development priority. The Company is also seeking to finance the co-located solar farm of up to 270MW (**K2-Solar**) on a stand-alone basis. The board believes it is a strategically beneficial decision to stage the development of K2-Solar as it will allow both K2-Hydro and K2-Solar to commence generation simultaneously in CY23, given the shorter development and construction timeline associated with K2-Solar. The Company also

recognises the importance of expanding its project portfolio in order to become a diversified renewable energy developer. Last financial year saw Genex expand from Queensland into NSW through the acquisition of JSP which is now ready to commence construction. In addition to this, Genex is currently undertaking advanced feasibility studies on the proposed 150MW wind farm at Kidston (**K3-Wind**). Pre-feasibility studies indicate a quality wind resource as the project benefits from naturally elevated topography along a 21km strike length.

➤ **Corporate:**

On the corporate front, the Company was successful in completing a \$21.5m capital raising before costs to advance JSP. The capital raising comprised a placement to institutional and sophisticated investors and a Share Purchase Plan (**SPP**). Given the strong support from our shareholders and the feedback from a number of the Company's largest shareholders and growth plans for the future, the Company ensured that all applicants received the full amount of their application with no scale back.

Moving forward:

My role, as Chairman of the Board, is to help develop a sound strategy and work closely with my fellow directors and management team, to drive Genex forward and build a large multi project diverse renewable energy company. In doing so, our priorities for the current financial year can be clearly outlined as follows:

- Reaching financial close and commencing construction of K2-Hydro;
- The commencement of generation and revenue from the JSP;
- Progress the development of K2-Solar;
- Complete the pre-feasibility study for K3-Wind; and
- Continue to analyse the evolution of the renewable energy markets in Victoria, South Australia and New South Wales for new projects that offer a strategic fit and complement our diversified renewable energy model.

Conclusion:

I would like to take the opportunity to thank all of our stakeholders and you our shareholders for your support over the past financial year. In particular I wish to acknowledge:

- The Queensland State Government;
- The Federal Government;
- The Northern Australian Infrastructure Facility;
- The Australian Renewable Energy Agency and the Clean Energy Finance Corporation;
- The Etheridge Shire Council;
- Our local communities; and

- J-POWER.

In conclusion, Genex is well positioned to deliver on our ambition of becoming a diversified renewable energy company and I look forward to updating you throughout the year on our progress.

Thank you.

Dr Ralph Craven

Independent Non-Executive Chairman

22 November, 2019