

26 July 2016

**Company Announcements Office
Australian Securities Exchange**

Via: Electronic Lodgement

**QUARTERLY ACTIVITIES REPORT
FOR THE QUARTER ENDED 30 JUNE 2016**

HIGHLIGHTS - 50MW PV Solar:

- Confirmation that the existing Environmental Authority over the Kidston site does not require any amendment for the Solar PV Project;
- All material approvals now in place;
- Binding Connection Agreement signed with Ergon Energy for connection into the National Electricity Market;
- Debt Funding Mandate signed with Societe Generale;
- Appointment of AECOM as Owner's Engineer;
- Finalisation of Project Delivery Team; and
- \$3.5m Capital Raising to fund Project financing costs, detailed design and early substation works.

HIGHLIGHTS - Pumped Storage Hydro Project:

- Significant Progress on Pumped Storage Hydro Project with extensive design optimisation and reduction of cost per MW of installed capacity;
- Funding Discussions ahead of schedule; and
- Receipt of over \$860,000 in ARENA Funding Instalments.

Genex Power Limited (ASX: **GNX**, **Genex** or **Company**) is pleased to provide shareholders with an update on its activities during the second quarter of the 2016 calendar year ended 30 June 2016. The June quarter capitalised on the significant progress in previous quarters with numerous milestones achieved at the project level for both of the Company's projects and the corporate level as well. Details of the Company's progress during the June quarter for each project was as follows:

Kidston 50MW PV Solar Project:

- Environmental Approval:

On 5 May Genex announced that it had received confirmation from the Queensland Government Department of Environment and Heritage Protection (Department) that the existing Environmental Authority over the Kidston site did not require any amendment to enable the construction and operation of the 50MW Kidston Solar PV Project (Solar Project). The Department's confirmation, together with the freehold land acquisition and the Development Approval both announced in the March quarter (*refer ASX announcements of 18 January and 2 February respectively*) mean that all material approvals and titles are now in place to enable construction of the Solar Project.

- Ergon Energy Connection Agreement:

On 10 May Genex announced that its wholly-owned subsidiary, Genex (Solar) Pty Ltd, had entered into binding agreements with Ergon Energy Corporation Limited (Ergon) in relation to the connection of Genex's Solar Project into the National Electricity Market (NEM) via Ergon's distribution network.

The two agreements with Ergon comprise:

- A 'Negotiated Connection Establishment Contract' which governs the terms and conditions surrounding the substation upgrade works, which will be undertaken concurrently with the construction of the solar farm; and
- A 'Negotiated Ongoing Connection Contract' which governs the terms and conditions for the transfer of the first 50MW of electricity from Kidston into Ergon's network on an ongoing basis for a period of 25 years.

Pursuant to the terms of the Ongoing Connection Contract, once upgrading of the substation on Genex's Kidston site is complete, Genex will be able to connect to Ergon's distribution network and export electricity from Kidston directly into the NEM. The execution of the two agreements represented one of the biggest milestones achieved so far for the Company's Solar Project.

- Debt Funding Mandate:

During the quarter, on 16 May Genex announced that it had entered into an exclusive mandate with Societe Generale in respect of its Solar Project. Under the terms of the Mandate, Societe Generale has been appointed to act as sole lead arranger and financial adviser to Genex in connection with the debt financing of the Solar Project.

The scope of the Mandate includes an indicative debt funding term sheet which covers key terms, including tenor, debt sizing, margins and fee arrangements. The Mandate does not cover any equity or potential grant funding associated with the Solar Project, which the Company is managing through separate processes. Genex continues to explore its project equity funding options with a number of interested parties and, as a shortlisted applicant for the final round of ARENA's large-scale solar photovoltaics competitive grant funding round (*refer ASX announcement of 14 January 2016*), submitted its final submission to ARENA on 15 June. ARENA's response to this application is expected to be announced during September 2016.

- Appointment of AECOM:

On 7 June Genex announced the appointment of AECOM as Owner’s Engineer for construction of the Solar Project. AECOM has assisted Genex on the development and feasibility of the Solar Project since June 2015 and played a key role in assisting Genex in:

- ✓ Finalising the technical and commercial negotiations for the Connection Agreement with Ergon Energy;
- ✓ EPC tendering and shortlisting contractors;
- ✓ Planning approvals support & impact studies; and
- ✓ Conducting general technical and economic analysis of the Solar Project.

- \$3.5m Capital Raising:

In June Genex undertook a significantly oversubscribed Share Placement of \$3.5m to both existing and new institutional and retail (to whom disclosure was not required) shareholders to fund continuing work in relation to the Solar Project with the funds to be applied to project financing costs, project design, early capital works and working capital costs.

Genex initially targeted a raise of up to \$2m however, due to strong demand the Company decided to increase the Placement to accommodate a number of new institutional shareholders on the register and to allow Genex to remain well capitalised as it undertakes project financing activities with the aim of reaching financial close for the Solar Project in Q4 this year.

- Finalisation of Project Delivery Team:

During the latter stages of the quarter Genex finalised its Kidston Solar Project delivery team with the appointment of UGL Limited as its preferred contractor for the Engineering, Procurement and Design (EPC) and Operation and Maintenance (O&M) for the Solar Project. The appointment of UGL completes the strong project delivery consortium assembled to deliver the Solar Project.

Table 1: Summary of Genex appointed consultants for the Kidston 50MW PV Solar Project

Company		Key Role(s)
	Genex (Solar) Pty Limited	Project Sponsor
	AECOM Australia Pty Ltd	Owner’s Engineer and Technical Advisor
	UGL Engineering Pty Limited	EPC Contractor, Operations & Maintenance Contractor
	Coronium Pty Limited	Specialist Solar PV Consultant

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Company		Key Role(s)
	Ergon Energy Corporation Limited	Distribution Connection
	Societe Generale Corporate & Investment Banking	Mandated Lead Arranger and Financial Advisor
	OST Energy	Lender's Independent Engineer for Due Diligence
	Baker & McKenzie	Project Legal Adviser
	Jardine Lloyd Thomson	Insurance Advisor
	PricewaterhouseCoopers Securities Limited	Tax Structuring Advisor

Table 2: Project timeline - Kidston 50MW PV Solar Project

Calendar year	1Q 2016	2Q 2016	3Q 2016	4Q 2016	1Q 2017	2Q 2017	3Q 2017	4Q 2017
Solar Project								
<i>Feasibility</i>	✓							
<i>DA</i>	✓							
<i>Freehold Acquisition</i>	✓							
<i>EPC Contractor Evaluation</i>	✓	✓						
<i>Connection Agreement</i>		✓						
<i>Project Financing</i>								
<i>Construction</i>								
<i>Commissioning</i>								

Commenting on the appointment of UGL at the time of the announcement, Genex's Managing Director, Michael Addison, said:

"The Board of Genex is pleased with the appointment of UGL as the Company's preferred EPC and O&M Contractor. The interest shown by UGL along with all tenderers in the process is demonstrative of the unique quality of the Project. UGL is a highly reputable organisation with a proven track record of delivery on projects in which it engages. We look forward to a strong and credible working relationship with UGL over the next 12 months".

Kidston Pumped Storage Hydro Project:

- Design Optimisation and Reduction in cost per MW of Installed Capacity:

Genex continued to make significant progress during the quarter on its Kidston Pumped Storage Hydro Project (PSHP). The strong progress made on the PSHP recently includes:

- ✓ An extensive design optimisation process leading to the selection of an improved design which includes a "Turkey's Nest" upper reservoir which has the potential to increase generation capacity up to 450MW;
- ✓ The new optimised design provides the lowest cost per MW of installed capacity out of all options considered and has the lowest operating and environmental risk;
- ✓ Following the decision to incorporate the "Turkey's Nest" upper reservoir, Genex is now engaged in the detailed design phase;
- ✓ Genex continues to receive meaningful support from the Queensland State Government as a "State Prescribed Project"; and
- ✓ Feasibility Study is progressing well and remains on track for completion in Q3 2016.

- Funding Discussions:

Following the Company's decision on the PSHP design, which is now in the detailed phase, project funding discussions continue and are advancing ahead of schedule.

- ARENA Funding:

Through the ongoing support from the Australian Renewable Energy Agency (ARENA) under the funding agreement announced to the market on 18 December 2015, Genex received a further \$866,000 during the quarter which will continue to be applied towards the development of the Company's Feasibility Study for its PSHP. Total funds now received from ARENA is \$2,067,854.

Events subsequent to the Quarter:

- Appointment of James Harding:

The Company is pleased to announce the appointment of Mr James Harding as Executive General Manager from 1 July 2016. James has an extensive background in major project developments, with a focus on the

utility scale solar and renewable energy sector and will be responsible for project development strategy and implementation. Prior to his appointment James assisted Genex with preparation and submission to ARENA of the Full Application for funding under the Large Scale Solar Funding Round, on a consultancy basis.

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About Genex Power Limited:

Genex Power is a power generation development company listed on the ASX. The Company is focussed on innovative clean energy generation and electricity storage solutions which deliver attractive commercial returns for shareholders. Genex is currently pursuing a number of unique energy development opportunities across Australia.

The Company's current focus is on the development of its large-scale Kidston hydroelectric pumped storage generation project and its large-scale solar PV project located in Northern Queensland.

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