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ASX Limited

Company Announcements Platform

Quarterly Activities Report – Quarter Ending 31 March 2020

Genex Power Limited (**ASX: GNX**) (**Genex** or the **Company**) is pleased to provide the following update on the Company's activities and performance for the third quarter of the 2020 financial year (**Q3 FY2020**). This has been an exciting quarter in which the Company achieved a number of significant milestones, including signing a binding Energy Storage Services Agreement (**ESSA**) with EnergyAustralia Pty Ltd (**EnergyAustralia**) relating to the 250MW Kidston Pumped Storage Hydro Project and the commencement of construction of the 50MW Jemalong Solar Project located near Forbes, NSW.

Highlights:

250MW Kidston Pumped Storage Hydro Project (K2-Hydro):

- On 30th March 2020 the Company signed a binding ESSA with EnergyAustralia (*refer to ASX announcement dated 30 March 2020*). Key terms of the ESSA are as follows:
 - Duration for a period of up to 30 years, with an initial term of 10 years and two options (at EnergyAustralia's election) to extend for a further 10 years each (**Extension Options**);
 - EnergyAustralia granted full operational dispatch rights for K2-Hydro (including P&L responsibility) in exchange for a fixed annual rental payment which escalates over the full contract term;
 - Following expiry of the 30 year term, and conditional on the exercise of both Extension Options, EnergyAustralia shall have the right to acquire Genex's entire shareholding in the project for a fixed cash payment; and
 - The ESSA is subject to a number of conditions precedent, including achieving financial close for the project before the sunset date of 31 Decemeber 2020.
- Financial close for the project is expected in Q3 CY2020, subject to the COVID-19 situation and general market conditions; and

- Genex remains deeply engaged with other K2-Hydro stakeholders, including the Northern Australia Infrastructure Facility (**NAIF**), to complete the project financing arrangements on the basis of the agreed terms of the binding ESSA.

50MW Kidston Solar Project (**KS1**):

- During the quarter, the Company's KS1 project continued to generate energy into the National Energy Market (**NEM**);
- Net Revenue totalled \$3.3m, with 31,535MWh of power generated for the quarter;
- Generation was 31% higher than the December quarter as the operational performance of KS1 returned to normal after the plant outage reported in October caused by a one-off software issue; and
- During the month of March, KS1 was independently assessed to have operated at a Capacity Factor (**CF**) of 32%, the highest CF of any solar farm currently operating in Australia.

50MW Jemalong Solar Project (**JSP**):

- With JSP now fully funded following financial close in December 2019, construction activities commenced during the quarter;
- Together with the JSP EPC Contractor, Beon Energy Solutions, Genex is engaged with the relevant key-component delivery supply chain and subcontractors in order to minimise the risk of potential construction delays;
- When fully operational, JSP is expected to produce up to 128,700MWh of power per year; and
- The project currently remains on course to be operational and with first cash flows in Q4 CY2020.

Corporate:

- During the quarter, the Company released its half year accounts for the 6 month period to 31 December 2019;
- Genex finished the quarter with a strong cash position, with cash at bank of \$24.3m at 31 March 2020;
- During the quarter, the Company continued to invest in Research and Development (**R&D**) to advance K2-Hydro, with an investment of \$3.6m in the YTD. These R&D investments will substantially reduce following financial close of K2-Hydro which is expected in Q3 CY2020; and

- Notwithstanding the COVID-19 crisis, the Genex executive team remains fully operational and committed to the development of its diverse renewable energy projects. Genex management is continuously monitoring the situation, with the Company's response to remain at all times consistent with State and Federal Government directions. Further, the Company has implemented the following;
 - A COVID-19 Workplace Policy to ensure the health and safety of all staff and contractors at Genex project sites;
 - A mandatory work from home policy, with the office only available to employees on a 1 by 1 basis with prior permission from the CEO; and
 - A policy to restrict visitors to the Company's operating and accommodation facilities at Kidston to ensure that only essential personnel approved by the COO are permitted.

Commenting on Q3 FY2020, a quarter in which the Company made significant progress on its projects, Genex CEO, James Harding stated:

"The March quarter was an active and ultimately very rewarding period for the Company. The binding Energy Storage Services Agreement with EnergyAustralia for the Kidston Hydro Project represents an important milestone for Genex. The Agreement provides clarity on the outlook for the development of our flagship project, which has an economic life of over 80 years.

Our second development project, Jemalong, continues to advance and, subject to the impact of COVID-19 on construction activities, first production is anticipated in late Q4 of this calendar year. The project has the potential to provide a step-change to Genex's revenues and will deliver geographic diversity to our renewable energy portfolio.

Notwithstanding the challenging environment, the Genex team continues to work collaboratively with quality project stakeholders such as EnergyAustralia, J-POWER, NAIF, The Queensland State Government and ARENA to deliver on its outcomes for this year and beyond."



Figure 1. Construction activities underway at JSP, located near Forbes, NSW.



Figure 2. Road works underway at the entrance to JSP.

This announcement was approved by the full Board of Genex Power Limited.

For more information about this announcement:

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About Genex Power Limited

Genex Power is a power generation development company listed on the ASX. The Company is focused on innovative clean energy generation and electricity storage solutions which deliver attractive commercial returns for shareholders. The Company has a development pipeline of up to 770MW of renewable energy generation and storage projects within its portfolio, underpinned by the Kidston Clean Energy Hub in far-north Queensland (**Kidston Hub**). The Kidston Hub is comprised of the operating 50MW Stage 1 Solar Project (**KS1**), the 250MW Pumped Storage Hydro Project (**K2-Hydro**) and the multi-staged integrated Solar Project of up to 270MW (**K2- Solar**) under development and the Kidston Stage 3 Wind Project of up to 150MW under feasibility. In addition, the Company has successfully acquired and financed the 50MW Jemalong Solar Project (**JSP**), located near Forbes in NSW, which is currently under construction.

Genex continues to acknowledge the support from the Federal Government, through the Australian Renewable Energy Agency (**ARENA**), which provided \$8.9 million in funding to support the construction of the KS1 Project, as well as their support of up to \$9 million in funding to support the development of the stage 2 projects. In addition to this, Genex acknowledges the Northern Australia Infrastructure Facility (**NAIF**) and their Investment decision to offer finance to K2-Hydro through the provision of a long term concessional NAIF debt facility for up to \$610 million. Genex also recognises the support of the Queensland State Government through providing a 20- year revenue support deed for KS1 and designating the Hub as 'Critical Infrastructure' to the State.

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity: Genex Power Ltd

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|--|
| |
|--|

ABN

Quarter ended ("current quarter")

18 152 098 854

March 2020

| Consolidated statement of cash flows | Current quarter \$A'000 | Year to date (9 months) \$A'000 |
|---|----------------------------|---------------------------------------|
| 1. Cash flows from operating activities | | |
| 1.1 Receipts from customers | 3,254 | 7,573 |
| 1.2 Payments for | | |
| (a) research and development | (718) | (3,600) |
| (b) product manufacturing and operating costs | (591) | (1,474) |
| (c) advertising and marketing | | |
| (d) leased assets | | |
| (e) staff costs | (696) | (2,304) |
| (f) administration and corporate costs | (763) | (1,685) |
| 1.3 Dividends received (see note 3) | | |
| 1.4 Interest received | 31 | 122 |
| 1.5 Interest and other costs of finance paid | (542) | (2,487) |
| 1.6 Income taxes paid | | |
| 1.7 Government grants and tax incentives | | |
| 1.8 Other (provide details if material) | | |
| 1.9 Net cash from / (used in) operating activities | (25) | (3,855) |

| | | |
|--|---------|----------|
| 2. Cash flows from investing activities | | |
| 2.1 Payments to acquire: | | |
| (a) entities | | |
| (b) businesses | | |
| (c) property, plant and equipment | (4,153) | (21,691) |
| (d) investments | | (618) |
| (e) intellectual property | | |
| (f) other non-current assets | | |

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| Consolidated statement of cash flows | | Current quarter \$A'000 | Year to date (9 months) \$A'000 |
|--------------------------------------|---|----------------------------|---------------------------------------|
| 2.2 | Proceeds from disposal of: | | |
| | (a) entities | | |
| | (b) businesses | | |
| | (c) property, plant and equipment | | |
| | (d) investments | | |
| | (e) intellectual property | | |
| | (f) other non-current assets | | |
| 2.3 | Cash flows from loans to other entities | | |
| 2.4 | Dividends received (see note 3) | | |
| 2.5 | Other (provide details if material) | | |
| 2.6 | Net cash from / (used in) investing activities | (4,153) | (22,309) |

| | | | |
|-------------|---|--------------|---------------|
| 3. | Cash flows from financing activities | | |
| 3.1 | Proceeds from issues of equity securities (excluding convertible debt securities) | | 20,478 |
| 3.2 | Proceeds from issue of convertible debt securities | | 1,067 |
| 3.3 | Proceeds from exercise of options | | |
| 3.4 | Transaction costs related to issues of equity securities or convertible debt securities | | |
| 3.5 | Proceeds from borrowings – Senior Debt | 6,645 | 106,364 |
| 3.6 | Proceed from CEFC Corporate Facility | | 16,883 |
| 3.7 | Transaction costs related to corporate facility | (27) | (420) |
| 3.8 | Repayment of borrowings – Senior Debt | | (98,924) |
| 3.9 | Transaction costs related to loans and borrowings | | (2,625) |
| 3.10 | Dividends paid | | |
| 3.11 | Other (provide details if material) | | |
| 3.12 | Net cash from / (used in) financing activities | 6,618 | 42,823 |

| | | | |
|-----------|--|--------|---------|
| 4. | Net increase / (decrease) in cash and cash equivalents for the period | | |
| 4.1 | Cash and cash equivalents at beginning of period | 21,841 | 25,060 |
| 4.2 | Net cash from / (used in) operating activities (item 1.9 above) | (25) | (1,893) |

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| Consolidated statement of cash flows | | Current quarter \$A'000 | Year to date (9 months) \$A'000 |
|--------------------------------------|---|----------------------------|---------------------------------------|
| 4.3 | Net cash from / (used in) investing activities (item 2.6 above) | (4,153) | (17,538) |
| 4.4 | Net cash from / (used in) financing activities (item 3.10 above) | 6,618 | 16,212 |
| 4.5 | Effect of movement in exchange rates on cash held | | |
| 4.6 | Cash and cash equivalents at end of period | 24,281 | 21,841 |

| 5. | Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts | Current quarter \$A'000 | Previous quarter \$A'000 |
|------------|---|----------------------------|-----------------------------|
| 5.1 | Bank balances | 20,001 | 20,780 |
| 5.2 | Term deposits | 205 | 205 |
| 5.3 | Bank overdrafts | | |
| 5.4 | Other (Environmental Bank Guarantee) | 4,075 | 4,075 |
| 5.5 | Cash and cash equivalents at end of quarter (should equal item 4.6 above) | 24,281 | 25,060 |

6. Payments to related parties of the entity and their associates

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

**Current quarter
\$A'000**

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

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7. Financing facilities

Note: the term "facility" includes all forms of financing arrangements available to the entity.

Add notes as necessary for an understanding of the sources of finance available to the entity.

| | Total facility amount at quarter end \$A'000 | Amount drawn at quarter end \$A'000 |
|---------------------------------------|---|---|
| 7.1 Loan facilities | 175,000 | 106,364 |
| 7.2 CEFC Corporate Facility | 16,883 | 16,883 |
| 7.3 ARENA Convertible Note | 3,996 | 3,996 |
| 7.4 ARENA Convertible Note 2 | 4,550 | 4,550 |
| 7.5 Total financing facilities | 200,429 | 131,793 |

7.6 **Unused financing facilities available at quarter end** 68,636

7.7 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

ARENA Convertible Note – ARENA, convertible at \$0.20, unsecured

ARENA Convertible Note 2 – ARENA, convertible at high or \$0.2865 and the volume weighted average sale price of Shares on the ASX over twenty trading days immediately preceding the Financial Close date, unsecured

| 8. Estimated cash available for future operating activities | \$A'000 |
|---|----------------|
| 8.1 Net cash from / (used in) operating activities (Item 1.9) | (25) |
| 8.2 Cash and cash equivalents at quarter end (Item 4.6) | 13,561* |
| 8.3 Unused finance facilities available at quarter end (Item 7.6) | -** |
| 8.4 Total available funding (Item 8.2 + Item 8.3) | 13,561 |
| 8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1) | 542*** |

*excludes funds held for construction of Jemalong and Bank Guarantee

**all finance facility committed for construction of Jemalong Project

***lower operating expenditure due to lower interest expense in the current quarter. This is due a timing difference

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer:

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer:

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

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Answer:

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 27 April 2020.....

Authorised by: By the board.....
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

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