



## CHAIRMAN'S ADDRESS TO SHAREHOLDERS

### GENEX POWER LIMITED - 2018 ANNUAL GENERAL MEETING

(5 November 2018)

Dear Shareholders,

Good morning Ladies and Gentlemen, my name is Ralph Craven and I am the Independent Non-Executive Chairman of Genex Power Limited. I am pleased to welcome you to Genex's fourth Annual General Meeting as a listed company. I look forward to sharing with you the highlights of our Company's achievements for the 2018 financial year that has seen Genex successfully transition from concept to development to construction to generation in a very short period of time. We are eagerly working towards replicating this for our Stage 2 projects and also have a pipeline of exciting opportunities as well.

I am joined by my fellow directors, Michael Addison, Simon Kidston, Teresa Dyson and Ben Guo and Justin Clyne our Company Secretary. We also have a number of members of our executive and management team here today including our CEO, James Harding and COO, Arran McGhie. My fellow director, Yongqing Yu, offers his apologies as he is unable to be with us today.

I would like to take this opportunity on behalf of the Board to acknowledge the retirement of Mr Alan du Mee who has offered his resignation as a director effective today. Alan has worked tirelessly for Genex over the past 4 and a half years through the Company's formative stages, IPO and more than 3 years post listing in providing invaluable insight, industry knowledge and sound financial oversight as Chair of the Audit and Risk Committee. We are disappointed to lose Alan but thank him for his service over this time and wish him well in his future endeavours.

#### Key Milestones achieved during and subsequent to the 2018 Financial Year:

It is paramount first up to acknowledge the support that Genex has received from both the Queensland State Government and Federal Government and various statutory bodies who recognise the importance and value that Genex brings in terms of employment, infrastructure, power generation and regional growth generally.

- **KS1 Commencement of Generation and Revenue:** Quite possibly our biggest achievement for the past financial year was the commencement of energisation and revenue generation for KS1, our 50MW solar farm at Kidston in North Queensland. Since last December, KS1 has been generating into the National Electricity Market (**NEM**) and up until the end of July included the sale of LGC's. Since then the Solar 150 Financial Support Deed with the Queensland State Government for 100% of the energy produced from KS1 via a long-term price guarantee (akin to what is known in the industry as a 'Power Purchase Agreement' or 'PPA') has commenced. Genex now has guaranteed revenue for the next twenty years to July 2038. KS1 is officially scheduled to reach Practical Completion on 1 December 2018.

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- **ARENA Stage 2 Funding:** The announcement in November last year of an additional \$5m of funding from ARENA for Stage 2 follows on from the significant support Genex has received from ARENA over the past few years including for our 50MW solar project. ARENA provided \$8.9m in funding to support the construction of KS1 and in December 2015 we announced ARENA had offered a further \$4m to support the development of Stage 2 bringing the ARENA Stage 2 funding support to \$9m.
  - **Stage 2 Update:** Stage 2 financial close remains our top priority. It is where we see the most value creation for shareholders and a basis on which to capitalise on our long-term growth. We are currently putting together the final pieces of the various elements for financial close and look forward to being able to update the market on some significant developments in this respect around offtake in the very near term. We realise that shareholders are very eager, as is your Board, to achieve this milestone as soon as possible and, while we are not quite there, we are doing all we can to reach this ASAP. We believe our current discussions with key stakeholders including an offtake partner, funding partners, transmission service providers, and other statutory and regularity bodies should soon culminate in a positive outcome. Once we are in a position to do so, we will update the market promptly.

During the year, we worked closely in advancing the Stage 2 projects alongside UGL, our preferred EPC contractor for solar and the joint venture of McConnell Dowell and John Holland, our preferred EPC contractors for hydro. Just last month our hydro project was declared a Coordinated Project by the Queensland State Government pursuant to section 26(1)(a) of the *State Development and Public Works Organisation Act 1971* which provides an expedited pathway for Genex to finalise any outstanding approvals for the Project.

- **NAIF Term Sheet:** One of the most exciting announcements came just prior to the end of the financial year on 20 June with our announcement that the Northern Australia Infrastructure Facility (NAIF) expressing its support for the development of the financing structure for our Stage 2 projects through the provision of an indicative term sheet for a long-term concessional NAIF debt facility for up to \$516m. The NAIF term sheet is subject to a number of conditions which Genex is rapidly working towards achieving to enable the NAIF Board to make a positive final investment decision.

The statement of support from Ms Laurie Walker, CEO of NAIF, commenting at the time of announcing the term sheet, highlights the strategic significance of our projects for the State of Queensland, Northern Australia and the NEM when Ms Walker said:

*“NAIF’s indication of this support will assist Genex to advance its discussions with other Project counterparties and to prove up the Project fundamentals. This is a demonstration of how NAIF can work with stakeholders to help them understand how its concessional financing can support the development of a project which has the potential to provide substantial benefits to Northern Australia.*

*NAIF sees the Project as important for the transition of the market to lower emission renewable energy sources, and the Board’s preparedness to consider a capital commitment of the size referred to in this announcement reflects the alignment of this type of project with*

*NAIF's objective to contribute to the transformation of Northern Australia through infrastructure development."*

NAIF's support represents a significant piece of Stage 2 financial close which I will speak about a little later.

- **Project Pipeline:** While our Stage 2 projects remain the key development priorities for Genex, we also see the importance of diversification across geographical areas and energy sources as part of our strategy of building Genex into a large-scale provider of diverse renewable energy. The first of these pipeline projects is the proposed 150MW wind farm at Kidston which is in the feasibility stage. This project has the potential to benefit from naturally elevated topography along a 21km strike length and, subject to completion of a successful feasibility study (expected in late 2019), is likely to not only provide Genex with significant additional generation capacity for dispatch into the NEM, but in combination with KS1 and the Stage 2 projects, provide inversely correlated generation which could enable the dispatch of firm clean renewable electricity 24 hours a day, 7 days a week.

The second of these pipeline projects is the acquisition of the 50MW Jemalong solar project in NSW announced in early September this year. The Project is well-advanced, with all necessary land and development planning approvals secured and significant progress made towards finalising the grid connection works. Completion of the acquisition is still subject to a number of Conditions Precedent (**CP**) including achieving satisfactory Generator Performance Standard approvals from AEMO. The project vendor will continue to progress the development of the Project including finalising the grid connection negotiations with Essential Energy and AEMO. The Acquisition is contingent upon all CPs being met by the vendor by the end of February 2019. Given the Project's advanced status, we anticipate reaching financial close in H1 2019 following Stage 2 financial close which remains the top priority.

- **Corporate:** Firstly, I wish to once again acknowledge Alan du Mee for his long and effective contribution to the Board. Alan has been a valued member of the Board who has always offered great insight and proactive contribution for over 4 years. We remain well served with our current Board following our strategic review in May of this year which resulted in the transitioning of our former Managing Director, Michael Addison, to becoming a non-executive director and as a consultant actively involved in the strategic direction of the Company and Ms Teresa Dyson, joining as a non-executive director. Teresa has deep industry experience in project finance, mergers and acquisitions, tax and the electricity sector, all areas which are extremely beneficial to Genex now.

In terms of capital, we received an injection of funds across the latter part of 2017 and first few months of 2018 with the exercise of the loyalty options issued in conjunction with the Company's IPO. In total, we received over \$3.3m in new equity.

### **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 can be clearly outlined as follows:

1. Reach financial close for stage 2 at Kidston ASAP;
2. Reach financial close for Jemalong in the short term thereafter;
3. Continue to look for new projects that offer a strategic fit with our current asset base or diversification with sufficient scale to provide operational efficiency; and
4. Complete the feasibility study for the Kidston Wind Project.

### **In Conclusion**

In conclusion, I would like to take this opportunity to thank all of our shareholders and stakeholders for their continued efforts and support over the past financial year. In particular I wish to acknowledge

- Our small but highly dedicated executive management team;
- The Federal Government and Queensland State Government;
- The Australian Renewable Energy Agency and the Clean Energy Finance Corporation;
- Societe Generale;
- The Northern Australia Infrastructure Facility;
- The Etheridge Shire Council;
- Our consultants, contractors and bankers;
- Our local communities and their community bodies, and
- As always, our supportive shareholders.

Thank you

*Dr Ralph Craven*

**Independent Non-Executive Chairman**

5 November 2018