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ASX: GNX

24 July 2020

ASX Limited

Company Announcements Platform

Quarterly Activities Report – Quarter Ending 30 June 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 fourth quarter of the 2020 financial year (**Q4 FY2020**). This was a period in which the Company made significant progress on the funding and contractual arrangements related to the Kidston Pumped Storage Hydro project (**K2-Hydro**) and strong progress towards financial close targeted for the September quarter 2020.

Highlights:

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

- As announced to the ASX on 1 July 2020, the Company received an extension to the validity of the offer from the Northern Australia Infrastructure Facility (**NAIF**) for a long-term concessional debt facility for K2-Hydro of up to \$610 million, to 30 September 2020. The NAIF concessional facility is intended to provide 100% of the debt financing for K2-Hydro (*refer ASX announcement of 1 July 2020 for further conditions of the offer from NAIF*).
- Genex also announced that it had been actively engaged with its construction contractors over the previous quarter to update terms and pricing since signing of the Energy Storage Services Agreement (**ESSA**) with EnergyAustralia (**EA**) (*refer ASX Announcement dated 30 March 2020*). Genex was pleased to advise of the finalisation of terms with its core contractors as follows:
 - Engineering, Procurement and Construction (**EPC**) contractor – Joint Venture of McConnell Dowell Constructors (Aust) Pty Ltd and John Holland Pty Ltd;
 - Electromechanical Equipment subcontractor to EPC – ANDRITZ Hydro GmbH;

- Connection Assets Infrastructure¹ – Beon Energy Solutions Pty Ltd;
- Construction Camp Operator – ISS Facility Services Australia Ltd; and
- Owners Engineer – Hydro-electric Corporation (Hydro Tasmania) (trading as Entura).
- Genex was also pleased to announce on 1 July 2020 in its “**Kidston Hydro Project Update**” the following:
 - The receipt of a revised Offer to Connect from Powerlink which includes the construction of the Transmission Line and updated pricing with validity to 30 September 2020;
 - An extension of its Generator Performance Standards (**GPS**) approval from the Australian Energy Market Operator (**AEMO**) to 30 September 2020 to align with the Offer to Connect from Powerlink;
 - Genex has continued to be actively engaged with key potential equity partners to take up to 50% interest in the project through an investment of new cash equity. These discussions are well progressed and Genex will provide an update in relation to its preferred equity partner shortly; and
 - Genex has been negotiating with the Queensland Government to finalise terms for the co-funding of both the construction and ongoing operations and maintenance costs of the Transmission Line. The conclusion of these negotiations remain the critical condition precedent to the NAIF concessional debt facility and Genex’s targeted financial close for the current quarter.

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 \$2.9m, with 28,604MWh of power generated for the quarter; and
- Revenue and generation for the quarter were comparatively higher (23% and 10% respectively) than the same period last year (Q4 FY2019).

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

- Construction activities at Jemalong continued across the quarter, largely unaffected by the COVID-19 pandemic, with construction now well advanced with approximately 75% of the tasks from the construction schedule ongoing or complete;

¹ Connection Assets Infrastructure relates to the interface between the EPC scope and the Powerlink Transmission Line scope, being a new substation at Kidston, switching station for the Project, 275kv interconnections and 22kv back up power supply.

- The JSP remains on track to be operational and deliver first cash flows in Q4 CY2020; and
- When fully operational, JSP is expected to produce up to 128,700MWh of energy per year.

Corporate:

- Genex finished the quarter with a strong cash position, with cash at bank of \$69.8m at 30 June 2020 compared to \$24.3m at the end of the previous quarter. During the period the Company drew down on committed debt facilities as part of the Jemalong construction program giving rise to the significant increase in the cash balance at the end of the quarter which will be deployed as part of the JSP construction program;
- During the quarter, the Company's expenditure was focussed on operating staff and operating costs associated with development activities for the Company's projects primarily for the JSP and K2-Hydro;
- As noted in section 6 of the Appendix 4C, payments of \$407,495 were made to the Directors of the entity during the quarter comprising salaries and fees for Executive and Non-Executive Directors. No other payments were made to any related parties or their associates of the entity; and
- The Genex executive team remains fully operational and committed during the COVID-19 pandemic with all employees continuing to work remotely while the situation is closely monitored. The Company's response will remain at all times consistent with State and Federal Government directions.

Commenting on Q4 FY2020, a quarter in which the Company made significant progress on the K2-Hydro project, Genex CEO, James Harding stated:

"The June quarter was a busy and rewarding period for the Company, and especially for the development of our flagship Kidston Pumped Storage Hydro Project. Since signing the binding Energy Storage Services Agreement with EnergyAustralia in March 2020, the Genex team has been working hard to reconfirm arrangements with other project stakeholders. The extension of the NAIF offer of funding, confirmation of terms with key contractors, and receipt of a revised Offer to Connect from Powerlink are important signals that the Company remains on track to close out financing activities in the third quarter of this calendar year. The Company is currently seeking to finalise negotiations with the Queensland Government in relation to the co-funding of the transmission line, which is a key final piece of the project financing."

Our first renewable energy project, the 50MW Kidston Solar Project, has performed well over the period. The project generation was 10% higher and revenue increased by 23% compared to the same quarter last year."

Our second development project, Jemalong Solar Project, continues to progress in accordance with the construction timetable, and subject to any unforeseen impact of COVID-19 on forthcoming construction activities, first generation is anticipated in Q4 of this calendar year. This is an important project for the Company as it has the potential to provide a step-change in Genex's revenues and will deliver geographic diversity to our renewable energy portfolio."



Figure 1. Jemalong Solar Project hangers.



Figure 2. Piling at the Jemalong Solar Project.

This quarterly activities report 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

ABN

18 152 098 854

Quarter ended ("current quarter")

June 2020

| Consolidated statement of cash flows | Current quarter \$A'000 | Year to date (12 months) \$A'000 |
|---|----------------------------|--|
| 1. Cash flows from operating activities | | |
| 1.1 Receipts from customers | 2,900 | 10,473 |
| 1.2 Payments for | | |
| (a) research and development | (999) | (4,599) |
| (b) product manufacturing and operating costs | (703) | (2,177) |
| (c) advertising and marketing | | |
| (d) leased assets | | |
| (e) staff costs | (1,030) | (3,334) |
| (f) administration and corporate costs | (656) | (2,341) |
| 1.3 Dividends received (see note 3) | | |
| 1.4 Interest received | 14 | 136 |
| 1.5 Interest and other costs of finance paid | (1,074) | (3,561) |
| 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 | (1,547) | (5,403) |
| 2. Cash flows from investing activities | | |
| 2.1 Payments to acquire: | | |
| (a) entities | | |
| (b) businesses | | |
| (c) property, plant and equipment | (13,936) | (35,627) |
| (d) investments | | (618) |
| (e) intellectual property | | |
| (f) other non-current assets | | |

| Consolidated statement of cash flows | | Current quarter \$A'000 | Year to date (12 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 | (13,936) | (36,245) |

| | | | |
|-----------|---|---------------|----------------|
| 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 | 61,667 | 168,031 |
| 3.6 | Proceed from CEFC Corporate Facility | | 16,883 |
| 3.7 | Transaction costs related to corporate facility | (252) | (672) |
| 3.8 | Repayment of borrowings – Senior Debt | (453) | (99,377) |
| 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 | 60,962 | 103,785 |

| | | | |
|-----------|--|---------|--------|
| 4. | Net increase / (decrease) in cash and cash equivalents for the period | | |
| 4.1 | Cash and cash equivalents at beginning of period | 24,281 | 21,841 |
| 4.2 | Net cash from / (used in) operating activities (item 1.9 above) | (1,547) | (25) |

| Consolidated statement of cash flows | | Current quarter \$A'000 | Year to date (12 months) \$A'000 |
|--------------------------------------|--|----------------------------|-------------------------------------|
| 4.3 | Net cash from / (used in) investing activities (item 2.6 above) | (13,936) | (4,153) |
| 4.4 | Net cash from / (used in) financing activities (item 3.10 above) | 60,962 | 6,618 |
| 4.5 | Effect of movement in exchange rates on cash held | | |
| 4.6 | Cash and cash equivalents at end of period | 69,760 | 24,281 |

| 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 | 65,480 | 20,001 |
| 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) | 69,760* | 24,281 |

*Includes funds held for construction of Jemalong and Bank Guarantee

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**

407

Note: Payment of salaries and director fees

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 | 168,031 |
| 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 | 193,460 |

7.6 **Unused financing facilities available at quarter end** **6,969**

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 the higher of \$0.2865 and the volume weighted average sale price of Shares on the ASX over the 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) | (1,547) |
| 8.2 Cash and cash equivalents at quarter end (Item 4.6) | 9,364* |
| 8.3 Unused finance facilities available at quarter end (Item 7.6) | -** |
| 8.4 Total available funding (Item 8.2 + Item 8.3) | 9,364 |
| 8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1) | 6 |

*excludes funds held for construction of Jemalong and Bank Guarantee

**all finance facility committed for construction of Jemalong Project

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?

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: 24 July 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.