

FULL YEAR RESULTS

Sydney – 29 August 2023 – MPower Group Limited (ASX: MPR)

MPower Group Limited

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The 2023 Annual Report highlights the Company's noticeably improved performance as it works towards establishing a Build Own Operate portfolio of clean energy assets, comprised of solar PV and battery storage projects. MPower's strategy directly addresses the issues facing the National Electricity Market, by locating generating assets in regions where there is high growth in energy demand. The strategy obviates major upgrades to the existing network and is designed to capture the opportunities inherent in the clean energy transition.

MPower has delivered several key milestones and successes in the period under review and into the beginning of 2024 financial year, including:

- The acquisition of an operational solar and battery project at Lakeland, Queensland.
- Lakeland Solar and Storage asset performance has been significantly improved and has provided the catalyst for the Company's delivering its first revenue from energy sales.
- A shovel-ready development at Faraday, Victoria was purchased.
- A number of development sites in South Australia and New South Wales achieved major development milestones.
- A project funding relationship with AMPYR Energy was established, including an initial \$10 million project construction facility established for the Narromine asset.
- The Company refinanced its corporate bank debt facilities by engaging with Oceania Capital Partners on more favourable terms.

The Company's successes as detailed below, together with the unprecedented growth in the renewable energy sector coincide with the Company's growing pipeline of solar and battery project opportunities, and position MPower very favourably for the 2024 financial year. The construction phase of the Company's Build Own Operate program is due to commence imminently, providing a sound foundation for growth and the precursor to increasing energy sales as projects are progressively brought online and connected to the grid.

Lakeland Solar and Storage Asset

Located in Cooktown Shire, North Queensland, Lakeland comprises a 10.8MWac solar farm and an associated 1.4MWac/5.3MWh lithium-ion battery storage facility. The asset has been in operation since 2017 and benefits from a long-term power purchase agreement with Origin Energy until 2030 for 100% of the Project's output. The Project has an expected remaining operating life of approximately 20 years.

The transaction had an enterprise value of \$8 million including the assumption of an existing \$7.66 million limited recourse long-term debt facility in place with German bank, NORD/LB at the time of acquisition.

NORD/LB is a German Landesbank owned by the German states of Lower Saxony and Saxony-Anhalt. NORD/LB is one of the leading financiers with over 1,000 renewable projects (equivalent to ~45GW) in Europe, Americas, and Asia Pacific, predominantly in wind and solar energy.

At the time Lakeland was acquired in August 2022, MPower immediately implemented significant operational improvements to the project, leveraging the Company's extensive inhouse technical capabilities and materially boosting Lakeland's financial performance.

MPower took full operational control of the project immediately following the acquisition, including all operations, maintenance, and asset management roles. In doing so, MPower has successfully reduced the project's annual operating costs by more than \$1 million while at the same time improving the generator's ongoing reliability, performance and future revenue.

In the first 12 months of operation under MPower's control, the project generated approximately 18GWh of clean energy and earned revenues of approximately \$1.7 million.

MPower commissioned Leadenhall Valuation Services Pty Limited to undertake an independent external valuation of the Lakeland Solar & Storage Project as part of the purchase price allocation process. The Company has relied on this valuation when arriving at an enterprise value of \$12.7 million for Lakeland. The valuation reflects a gain of \$6.1 million on acquisition of the project which has been taken through the profit and loss in the year under review. This is a major step-change for the Company and a further strengthening of MPower's balance sheet.

Strategic partnership with Evergen

During the year, MPower formed a joint strategic development partnership with Evergen, a global clean energy infrastructure provider. The agreement facilitates the deployment of Evergen's optimisation technology in parallel with the phased rollout of MPower's clean energy asset portfolio, which is ideally suited to Evergen's platform, with its optimisation technology being developed specifically to enhance the performance of decentralised clean energy assets.

Site optimisation will see MPower's projects benefiting from algorithms to optimise arbitrage opportunities against variable market-facing models, weather-based generation predictions, and other revenue sources as they become available in future.

Trading services on the Evergen platform include optimised FCAS (Frequency Control Ancillary Services) bid management, which is the process used by the energy market operator to balance system-wide frequency during sudden imbalances in supply and demand. The platform will also drive efficiencies through automated alerting and reporting functions.

The technology is being configured for MPower's requirements. It is designed to integrate directly with MPower's proprietary remote monitoring and control platform and will be rolled out across MPower's portfolio projects as they are constructed. It is expected to provide MPower with a unique competitive advantage by driving returns on a project-by-project basis across our growing portfolio.

Funding relationship with AMPYR Energy

During the year, MPower established a project funding relationship with a global renewable energy investment firm to fund the growth of its national Build Own Operate portfolio of solar power and battery storage projects being rolled out across Australia.

The innovative funding arrangement is designed to finance construction and development costs on a project-by-project basis. In this way, MPower will be provided with a flexible funding mechanism to take projects through to the operational phase, when they become revenue accretive through the generation and export of clean energy to the National Electricity Market.

The first project has been signed up, which will see 100% of the project funding provided to complete the Narromine Renewable Energy Generator in New South Wales. Funding for the infrastructure became unconditional on 4 August 2023 and comprises a \$10 million facility for an 18 month term and a 12.25% interest rate.

The funding agreement is structured as a debt facility, with mechanisms to convert to equity in the project at a later stage, enabling both parties to benefit from a future uplift in value.

Financial overview

Revenue for the 2023 financial year was \$4.4 million (2022: \$3.7 million), including first revenues of \$1.5 million from the sale of clean energy from the Lakeland asset.

The Group recorded EBITDA of \$4.0 million for the 2023 financial year and an after-tax profit of \$2.0 million, representing earnings per share of 0.7 cents. The result includes a gain of \$6.1 million on the acquisition of the Lakeland Solar & Battery Asset which has been taken through the Company's profit and loss.

Shortly after the end of the financial year the Company strengthened its balance sheet with a new loan facility and equity position from diversified Australian investment group Oceania Capital Partners Limited (OCP) to replace MPower's St George Bank debt facility. Under the deal with OCP, MPower extinguished in full its \$4.5 million term debt with St George Bank and replaced it with a new \$1.8 million loan from OCP which has also taken a 14.5% equity stake in MPower through the issue of 50 million ordinary shares in consideration for providing the loan facility. The benefit of \$2.8 million from the refinancing will be reflected in the 2024 results.

At the beginning of the financial year, the Company undertook a placement which received firm commitments to raise \$1.7 million (before costs) in new equity funding to advance the Company's Build Own Operate strategy and for working capital purposes. The Company's major shareholder agreed to support the capital raising. An Extraordinary General Meeting to approve certain aspects of the placement and other matters was held on 28 September 2022.

MPower maintains a franking credit balance of \$7.4 million and has substantial revenue and capital tax losses available.

Management and staff

MPower sincerely thanks its management and staff for their energy, commitment and support as the Company develops. MPower is fortunate to have such a quality team of professionals and clean energy technology experts operating within a flexible cost base.

Looking ahead

2023 has proven to be a transformational year for MPower and the Company has achieved a great deal. Following the post balance date finalisation of a \$10 million project finance facility and the refinancing of the Company's previous debt facilities with a new loan facility and equity stake by Oceania Capital Partners, the focus now turns to capitalising on the milestones achieved in the last 12 months.

The Company has a very solid foundation to accelerate growth in FY2024 and beyond. The primary focus is rolling out the portfolio of ~5MW renewable energy and battery storage projects with Narromine earmarked as the first of a number of sites. As well, the Company will consider non-dilutive acquisition opportunities similar to Lakeland where the Company's project delivery and maintenance capabilities can enhance asset performance and returns.

The magnitude of the uplift in value of Lakeland is a testament to the value that MPower can create in a short period of time by leveraging in-house technical know-how and financial expertise around clean energy projects. This financial benefit comes at an important time in MPower's journey as the Company continues to roll-out clean energy projects and scale up its activities.

Australia is entering a phase of unprecedented growth in renewables and MPower now has an improved balance sheet, track record and financial standing to accelerate the Company's plans and continue to lead the way in distributed clean energy projects.

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Contact

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This announcement has been authorised by the board of MPower Group Limited.

About MPower

MPower Group Limited (ASX: MPR) is a technology-led company with a long history specialising in the delivery of reliable on-grid and off-grid power solutions for blue chip corporate and government customers. Headquartered in Sydney, MPower's team of professionals has successfully delivered turn-key solar, battery storage and micro grid projects across the region.

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