

FULL YEAR RESULTS

Sydney – 23 August 2021 – MPower Group Limited (ASX: MPR)

The 2021 annual report comes at a time when the Company is nearing a tipping point with its Build Own Operate strategy. The year to 30 June 2021 was the first financial year for the Company following its exit from previous non-core activities. This enabled MPower to advance as a technology led company with a dedicated focus on renewable and conventional power system projects, specialising in the design and delivery of renewable energy, battery storage and microgrid solutions.

Revenue for the year was \$11.1 million which was a 1% increase over the previous comparative period. The total comprehensive loss for the year of \$2.07 million reflects the transition towards the Company's Build Own Operate strategy, takes into account the impact of the Covid-19 pandemic and compares to a total comprehensive loss of \$3.98 million in 2020.

Operational overview

The main projects completed by MPower during the year were the two 5MW solar farm projects at South Hummocks and Kadina in South Australia. Commissioning of the two projects commenced in February 2021 and the projects were both connected to the grid and first energised during March 2021. The two 5MW solar farm projects have reached commercial operation and are exporting at full capacity.

The relative speed with which the South Australian projects progressed from initial commissioning through to full commercial operation illustrates the expertise MPower has developed in this area and highlights one of the many benefits of 5MW projects. MPower ended the 2021 financial year well placed in its quest to establish a Build Own Operate portfolio of its own 5MW renewable energy projects.

During the year exclusivity was secured over ten new renewable energy sites in New South Wales, Victoria and South Australia, with four of these sites added during the last quarter. The substantial steps taken by MPower highlights our drive to deliver on the initial planned portfolio of up to twenty 5MW sites with an estimated end value of over \$150 million.

Negotiations regarding the formal purchase agreements on the first sites are well advanced, with contractual formalities on track for execution in the first quarter of FY22. There have been Covid-19 related delays in both accessing sites and in assessing the various financing alternatives which need to be finalised in advance of the construction

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phase. Potential funding partners that are seeking exposure to green energy projects which can deliver attractive financial returns over the longer-term life cycle of the infrastructure assets are expressing considerable interest in MPower's plans.

Investors have given MPower's planned offering of renewable energy infrastructure projects a strong vote of confidence by participating in the \$5 million placement of new shares in the second half of the financial year. MPower's improved financial position as a result of this placement is a key driver in the Company's progress in implementing its BOO strategy.

In parallel with our strategy, and supplementary to it, extensive due diligence and reviews were undertaken by MPower's technical team into various energy storage technologies. Lithium-ion battery technology has been chosen as it provides the best form of electrical energy storage available today and into the foreseeable future. With a decreasing cost curve, a higher density than competing technologies, and operating under a large temperature range, the technology is highly advantageous given the location of a number of MPower's planned sites.

The Company intends to augment its portfolio of 5MW solar projects with 5MW of DC-coupled battery storage which will enhance project returns. MPower's approach to solar farm design is to incorporate a higher DC capacity initially, so revenue can be maximised through increased power generation during the morning and afternoon periods and enhanced further with the subsequent augmentation of battery storage.

MPower has already successfully delivered more than 10MWh of battery storage projects for customers and will leverage its established in-house expertise for its own battery storage strategy.

In parallel with these activities, MPower's service division, which provides regular maintenance and asset management services to critical power system assets, continued to build steadily during the year and provides a constant revenue stream for the Company.

Financial overview

Pleasing progress was made during the year in putting the Company's finances on an improved footing. After finalising financial matters associated with the Company's discontinued activities, the \$5 million placement (before placement costs) saw approximately 58.8 million new shares issued at an issue price of 8.5 cents per share in two tranches to a range of sophisticated and institutional investors. This included an institutional fund focussed on Environmental, Social and Corporate Governance (ESG) investment characteristics. The second tranche of the placement was completed in late April 2021 and the Company ended the financial year with a cash balance of \$3.5 million.

Pursuant to the placement and following shareholder approval, the Company also issued 8 million unlisted share options to advisors.

The Company's \$5.4 million term debt and other banking facilities were extended for a further twelve months to July 2022. MPower is making principal repayments of \$25,000 per month, with the facility terms otherwise remaining unchanged.

MPower maintains a franking credit balance of \$7.4 million, equating to 3.4 cents per share.

Covid-19

The Covid-19 pandemic has created its fair share of issues for MPower. As with so many enterprises in Australia and worldwide, the health orders and other restrictions during 2020 and continuing in 2021 have hampered MPower's operations; caused significant delays; and impacted on MPower's timetable and plans to commence construction of its planned portfolio of solar farms. This has come at a significant financial cost to the Company, and whilst the Company has benefited from some Government financial supports, these only cover a portion of the actual financial cost. MPower continues to mitigate these adverse circumstances by maintaining a flexible approach and believes that it is well placed to significantly advance development of its portfolio in the 2022 financial year.

Board composition

The Company has been actively working to strengthen its board and diversify the skill base by adding to the number of non-executive directors with renewable energy sector expertise.

In May 2021, Gary Cohen resigned as a non-executive director after having assisted the Company on its journey to become an industry leader. The Company thanks him for his valuable contribution and for his constant support to the management team over many years.

In August 2021, the Company announced the appointment of Amy Kean as a non-executive director, with effect from 1 September 2021. Amy Kean has deep experience in the renewable energy sector, both as a consultant, having served as the NSW Government Renewable Energy Advocate and being instrumental in developing NSW's renewable energy zones and emerging energy programs. The Company looks forward to her contribution as the next phase gains momentum.

Management and staff

Mpower sincerely thanks its management and staff for their energy, commitment and support as the company realigns itself to its burgeoning new path. Mpower is fortunate to have such a quality team of professionals and renewable energy technology experts.

Looking ahead

At the heart of Mpower's strategy are the following key points:

- The establishment of an initial portfolio of twenty 5MW solar farms across Australia with a total capacity of 100MW.
- The mitigation of weather and network variations by diversifying the locations of Mpower's solar farms, initially focussing on NSW, VIC and SA.
- The maximisation of future power market pricing opportunities using a flexible offtake approach and augmenting power output with battery storage when warranted in the future.

These strategies have been carefully considered but will still take time to reach fruition and require appropriate funding lines to be established. Mpower is standardising its approach to solar farm design and construction, enabling projects to typically progress from shovel ready status to generating revenue from the power output in nine months. The grid connection process is simpler than for large utility-scale solar farms, there is no risk of curtailment; nor is there exposure to ancillary service charges. And by taking a portfolio approach the risk of a single point of failure is eliminated.

For these reasons, and because the Company has well credentialed in-house expertise operating within a flexible cost base, Mpower has good cause to believe that successful execution of its strategy will progressively deliver financial benefits to the Company and facilitate a future growth pathway.

Ends

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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