

1 February 2018

NEW ENERGY SOLAR (ASX: NEW) ACQUISITION

NEW ENERGY SOLAR TO ACQUIRE 200MW_{DC} SOLAR PROJECT IN THE UNITED STATES WITH 20-YEAR PPA

New Energy Solar Limited (**Company**) and Walsh & Company Investments Limited as responsible entity of New Energy Solar Fund (**Responsible Entity**), together New Energy Solar or NES (**ASX:NEW**), is pleased to announce it has entered into an agreement to acquire a 200MW_{DC} solar project (**Project**) in the United States to be constructed and operational by late 2019. Investment will occur progressively through to commissioning and completion of the Project, coinciding with contractual milestones, with the total value of NES' investment at completion expected to be approximately US\$270 million¹.

When complete, the Project is expected to generate more than 450,000 megawatt hours of electricity annually. This amount of electricity is equivalent to displacing more than 245,000 tonnes of CO₂ emissions per annum, powering 45,000 homes, or removing 58,000 cars from the road.²

The Project has executed a 20-year power purchase agreement (**PPA**) with an investment grade utility offtaker which commences in mid-2020. The Project is expected to be completed approximately six months before the PPA term commences, during which time it is expected to sell electricity into the wholesale electricity market. During its term, the PPA price escalates at approximately 1.5% per annum, which will complement NES' existing portfolio and is expected to provide a growing income stream to investors.

John Martin, New Energy Solar CEO, said, "After successfully completing the capital raising and ASX listing late last year, it has been rewarding to move quickly and invest in this world class solar project which adds both significant scale and contracted cash flows to our portfolio. Importantly, the Project's combination of very large-scale and a high quality solar resource almost doubles the environment impact of the fund".

The Project will be constructed, on a fixed-time and fixed-cost basis, by a leading US engineering procurement and construction (**EPC**) contractor who has constructed over 2,000 MW of renewable energy projects across North America. The Project is not exposed to any additional solar panel price increases as a result of the recently announced US tariff on solar PV cells.

¹ Enterprise value basis.

² CO₂ Emission Reduction is calculated using the United States Environmental Protection Agency's "Avoided Emissions and Generation Tool", which estimates the regional displacement of fossil fuels for a new solar PV installation.

Liam Thomas, NES' Head of Investments, said "We are very pleased to be undertaking the acquisition of another high-quality asset generating an additional and growing income stream based on an investment-grade, 20-year PPA."

The investment has been made under the terms of a binding Membership Interest Purchase and Sale Agreement (**the MIPSAs**), with NES contracted to acquire 100% of the cash equity interests in the Project upon satisfaction of certain conditions precedent including closing debt and tax equity financings. NES paid a deposit of approximately US\$19 million on signing the MIPSAs, with the next instalment of the purchase price to be paid once all relevant conditions precedent are satisfied at closing of the acquisition (**Transaction Close**), and the remainder throughout construction, commissioning, and completion.

The Project will be funded with an initial NES equity injection of approximately US\$80 million, and the remainder with non-recourse construction debt facilities. Executed term sheets are in place with a group of leading renewable financing banks for the construction debt facilities and, once the Project is fully constructed and operational, a portion of this construction debt will convert to a non-recourse senior debt facility, sized and structured based on the long-term investment-grade PPA. The interest rate on the senior debt facility has been fixed for the duration of the PPA term.

NES's investment is based on an initial five-year annual average gross yield of approximately 5.15% from expected commencement of commercial operations in late 2019 (before transaction costs and fees). NES expects the long-term debt financing to be accretive to cash yields, and anticipates yield growth over the PPA term from the 1.5% per annum PPA price escalation.

Once the Project is operational, NES will have an interest in projects with more than 500MW_{DC} of capacity expected to generate more than one gigawatt hour of electricity annually. This amount of electricity is equivalent to displacing more than 590,000 tonnes of CO₂ emissions per annum, powering 110,000 homes, or removing 140,000 cars from the road.

NES anticipates Transaction Close and the issuance of a 'notice to proceed' to the EPC contractor before the end of the first quarter of 2018. The transaction is currently subject to disclosure limitations but more detailed information will be provided once the conditions precedent are met and Transaction Close is achieved.

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Important Information

This information may contain general advice. Any general advice provided has been prepared without taking into account your objectives, financial situation or needs. Before acting on the advice, you should consider the appropriateness of the advice with regard to your objectives, financial situation and needs.

About New Energy Solar

New Energy Solar was established in November 2015 to invest in a diversified portfolio of solar assets across the globe and help investors benefit from the global shift to renewable energy. The Business acquires large scale solar power plants and associated renewable energy assets, with contracted cash flows from creditworthy offtakers, that generate positive social impacts and financial returns for investors.

Since establishment, New Energy Solar has raised over A\$500 million from retail and institutional investors, acquired a portfolio of world-class solar power plants, and has a deep pipeline of opportunities across Australia and the United States. New Energy Solar's securities trade on the Australian Securities Exchange under the ticker, NEW.

www.newenergysolar.com.au

