



24 June 2020

NEW ENERGY SOLAR (ASX: NEW)

CONDITIONAL SALE OF 50% INTEREST IN MOUNT SIGNAL 2 SOLAR PLANT SALE PRICE AFFIRMS ASSET VALUATIONS

SUMMARY

- NEW has agreed to sell a 50% interest in Mount Signal 2 (**MS2**) for US\$52 million subject to final confirmatory due diligence, completion of binding documentation, and a performance-linked payment structure.
- Sale price compares to the valuation for 50% of MS2 at 31 December 2019 of US\$50.25 million and original equity investment value of 50% of MS2 of US\$44 million.
- Transaction completion is anticipated early in the second half of 2020.

New Energy Solar¹ (**ASX:NEW**) advises that it has agreed to sell a 50% interest in NEW's MS2 solar power plant in California to NextPowerIII (**NPIII**), a private solar fund established to invest in the international solar sector and managed by UK-based NextEnergy Capital Group, for US\$52 million. NPIII has conducted due diligence on the asset over several months but completion of the transaction remains subject to final confirmatory due diligence, an in-person site visit, final negotiation and execution of satisfactory documentation. Despite COVID-19 restrictions in California, NEW and NPIII are working toward transaction close early in the second half of 2020.

Due to the early operational stage of MS2², and COVID-19 related market impacts, the purchase price will be structured as an upfront payment of US\$47 million and a subsequent performance-linked payment of US\$5 million, payable 12 months after transaction completion. The performance-linked payment is based on updated plant performance studies to be completed during the 12-month period.

The sale price of US\$52/A\$78 million compares to the 31 December 2019 net asset valuation for 50% of MS2 of US\$50.25/A\$72 million, and the original equity investment value of 50% of MS2 of US\$44/A\$57 million. Upon successful completion, transaction expenses incurred by NEW for the asset sale will be approximately US\$2.2 million.

John Martin, NEW CEO, said "We are very pleased to be announcing this transaction and to be entering into joint ownership of MS2 with NextEnergy Capital Group. The difficult circumstances of this asset sale could not have been anticipated when we embarked on the process in November last year, but reaching this agreement with a reputable renewable energy investor reinforces what we have been saying about our solar assets since listing at the end of 2017, that is, our net asset values are real and realisable. Also, this transaction demonstrates that the transition to renewable generation is a market transformation that won't be easily de-railed."

¹ New Energy Solar Limited (**Company**) and Walsh & Company Investments Limited (as responsible entity for New Energy Solar Fund (**Trust**)) (**RE**) (together **New Energy Solar, NEW** or the **Business**)

² A discussion on the operational performance of MS2 in the first half of 2020 is provided in the Operational Update Announcement also made today.

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It should be noted that the power purchase agreement (**PPA**) for MS2 commenced on 1 June 2020. Under the PPA, 100% of the electricity generated by MS2 is sold to Southern California Edison at a fixed price, escalating each year by an agreed percentage. Southern California Edison is one of the US's largest electric utilities, delivering power to 15 million people across central, coastal and southern California, excluding the city of Los Angeles.

Once the transaction is complete, NEW will consider a range of capital management initiatives including security buybacks, special dividends and/or repayment of shorter-term debt.

Absent the implementation of capital management initiatives, the sale of an interest in MS2 alone will result in lower gearing for NEW, as the recent completion of construction at MS2 meant that gearing for this project was higher than for the balance of the NEW portfolio.

There is no guarantee that this transaction will be completed as expected and the Boards reiterate that they will only approve completion of the transaction if it remains in the best interests of securityholders.

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Authorised for release by New Energy Solar Limited and Walsh & Company Investments Limited as responsible entity for New Energy Solar Fund.

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 with long term contracted power purchase agreements. In addition to attractive financial returns, this strategy generates significant positive environmental impacts for investors.

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

New Energy Solar is a listed stapled entity consisting of New Energy Solar Fund (ARSN 609 154 298) and New Energy Solar Limited (ACN 159 902 708). For more information, visit:

www.newenergysolar.com.au

About NextEnergy Capital Group

NPIII manager, NextEnergy Capital Group, is an established and leading specialist investment and asset manager with current solar assets under management of c.US\$2.3 billion across three investment vehicles, including the London Stock Exchange listed NextEnergy Solar Fund Limited.

