New Energy Solar

QUARTERLY UPDATE
DECEMBER 2020

New Energy Solar[1] (NEW, the Business) invests in large-scale solar power plants generating emissions-free power sold under long-term power purchase agreements (PPAs) with credit-worthy offtakers.

As Australia's first ASX-listed solar infrastructure business, NEW has invested more than A$1.3 billion in solar plants across the United States (**US**) and Australia, enabling investors to achieve attractive risk-adjusted financial returns, and positive social impact.

MARKET SUMMARY (31 DECEMBER 2020)

Stapled Security Price	$0.865
Securities Outstanding	355.3m
Market Capitalisation	$307.3m[2]

To learn more about New Energy Solar, please visit www.newenergysolar.com.au.

- Global portfolio of 16 operating solar power plants
- Capacity weighted average PPA term of 14.9 years[3]
- Total portfolio capacity of over 772 MW_{DC}[4]
- More than two million solar panels generating emissions-free electricity
- Displacing more than 1,000,000 tonnes of CO_2 annually[5,6]
- Equivalent to removing 277,000 cars from US and Australian roads annually[5,6]
- Generating more than 1,600,000 MWh of electricity annually[5]
- Distributions totalling A$0.2265 per security paid since IPO

Summary

Highlights during the quarter include:

- **Strategic review:** RBC Capital Markets (**RBC**) completed the initial phase of the strategic review, recommending the sale of non-core and Australian assets to improve investor value.
- **Sale of USF shares:** NEW sold its shareholding in US Solar Fund plc (LON:USF) (**USF**).
- **Australian assets sale:** NEW announced commencement of a sale process for the Beryl and Manildra solar power plants.
- **MS2 sale:** NEW announced the sale of up to a 50% interest in Mount Signal 2 (**MS2**) to USF.
- **Portfolio performance:** The portfolio performed below the Investment Manager's expectations in Q4 2020 primarily due to the fire-damage at the Stanford and TID plants (**Rosamond**), and inverter performance and AEMO curtailments at Beryl and Manildra.
- **Debt refinanced:** NEW closed a A$22.5 million corporate debt facility with Infradebt Pty Limited (**Infradebt**), replacing existing debt at lower cost and with longer tenor.
- **Progress on operational issues:** Inverter-related issues at MS2 were resolved and Rosamond plants remediation programme progressed.
- **Distribution:** 3.0 cents per security announced for six-month period to 31 December 2020.
- **Sustainability report:** 2020 Sustainability Report released.

STRATEGIC REVIEW OF NEW

During the quarter, RBC, a global investment bank with strong expertise in the power, utilities and infrastructure sectors, completed the initial phase of the strategic review of NEW's asset portfolio. The review recommended the sale of non-core and Australian assets to improve securityholder value and to develop a simpler investment proposition focused on the US assets for global energy investors.

SALE OF USF INTEREST

Following the recommendations of the strategic review, on 7 October 2020 NEW announced the sale of its entire USF holding of 15 million shares. The investment, originally made in anticipation of co-investment between NEW and USF, was determined to be non-core. Proceeds from the sale will be used primarily to repay corporate debt.

AUSTRALIAN ASSET SALE

Consistent with the recommendations of the RBC strategic review, NEW commenced an asset sale process for its Australian assets, Beryl (110.9MW$_{DC}$) and Manildra (55.9MW$_{DC}$). Situated in and in close proximity to New South Wales' Renewable Energy Zones, the assets are of high-quality with proven operations and long-term investment-grade offtake contracts with an average tenor of 12 years[3]. The indicative bid phase commences in the first quarter of 2021 with completion anticipated by mid-2021. Proceeds from the asset sale will be available for a range of capital management initiatives, which may include security buybacks, capital returns and debt reduction.

SALE OF INTEREST IN MS2

In late December, NEW announced the sale of up to a 50% interest in its largest solar power plant, the 200MW$_{DC}$ MS2, to USF for a total price of between US$44 and US$46 million. The purchase price is consistent with the implied net asset value for 50% of MS2 of US$44.75 million, based on the last audited net asset value for MS2 of US$89.5 million as at 30 June 2020. The transaction is structured in two tranches. Tranche one is the immediate acquisition of a 25% equity interest for a price of US$23 million. Tranche two is an option for USF to acquire a further 25% equity interest for US$22 million, subject to a performance-based adjustment mechanism which can adjust the price upwards or downwards by up to US$1 million. The option can be exercised by USF at any time in the 12 months following completion of the first tranche.

PROGRESS ON RESTORATION OF ROSAMOND PLANTS

As previously announced[8], in late June 2020 NEW's Rosamond, California plants, Stanford and TID, were damaged by a grass fire, reducing generation by approximately 32%. NEW and its insurers are working to implement the remediation programme. As of the beginning of 2021, site remediation was underway and the first shipment of replacement SunPower panels had arrived on site and further testing of panels is being undertaken to determine which panels need to be replaced. It is anticipated the programme will continue through the first half of 2021 with generation being progressively restored.

MS2 PERFORMANCE

At MS2, identified inverter-related issues have been resolved and by the end of the quarter MS2 was performing closer to the Investment Manager's expectations. NEW continues to work with the relevant stakeholders to optimise performance at MS2.

BERYL AND MANILDRA PERFORMANCE

During the quarter, Beryl and Manildra experienced some inverter malfunctions that contributed to underperformance during the period. Replacing the failed inverters at Beryl was largely completed during December, while at Manildra new inverter components have been ordered and replacement is expected to occur in the coming weeks.

Beryl sustained damage from a lightning strike in December. Whilst this damaged cables and led to inverters being offline for a few days, all issues have since been remediated and plant performance has improved.

Beryl and Manildra also experienced intermittent curtailment directed by AEMO as a result of grid issues across the central-west of New South Wales.

DEBT REFINANCING

On 17 December 2020, NEW reached financial close on a A$22.5 million corporate debt facility with Infradebt, a boutique infrastructure fund manager with a focus on Australian infrastructure debt. The facility, undertaken through a 100% owned Australian subsidiary of NEW, matures on 31 May 2023. The proceeds will be used primarily to refinance the US$15 million KCI facility prior to its maturity in March 2021.

DISTRIBUTION TIMETABLE

NEW advised at the end of the quarter that the announcement of its distribution declarations and ex-distribution dates would move later to better account for the operational cashflows of the Business now that all of NEW's solar power plants have completed construction. This timetable differs from the current practice where distributions are determined before the end of the reporting period. The change will enable the cashflows from the Business for each six-month period to be more accurately attributed to the distributions to securityholders. As a result, distributions will be paid around the time of the release of each period's financial results.

A distribution of 3.0 cents per security was announced on 1 February 2021 for the six-month period to 31 December 2020.

COVID-19

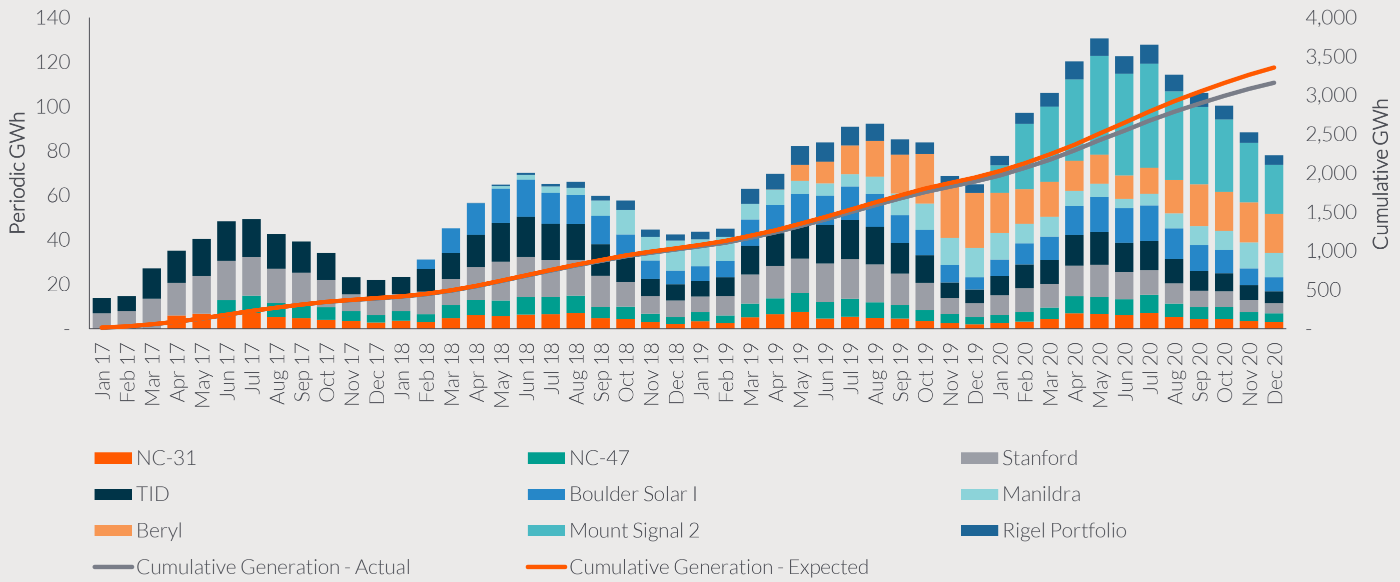
NEW's portfolio continues to operate with limited COVID-19 disruptions. The Investment Manager is monitoring potential COVID-19 impacts on the Business, such as changes to debt and equity markets, insurance markets and electricity prices. The Investment Management team continues to mostly work remotely and will transition back to the office once official guidelines recommend it.

PORTFOLIO PERFORMANCE

The 16 operating solar plants in NEW's portfolio (the **Operating Portfolio**) generated approximately 267,000 megawatt hours (**MWh**)[7] of electricity during the quarter. The total generation is estimated to have displaced the equivalent of 177,000 tonnes of CO_2[6,7], which is comparable to removing approximately 52,000[6,7] cars from the road and powering 40,000 houses[6,7], during the quarter.

Generation for the December quarter was 14.7% below the Investment Manager's weather-adjusted expectations. A significant contributor to the underperformance was the fire damage at the Stanford and TID plants which accounted for 5.9% of the total portfolio underperformance. Other factors contributing to underperformance included lightning damage to cables and inverters at Beryl, together with inverter component faults and AEMO directed curtailment at Beryl and Manildra due to regional grid issues. The chart below shows the plant output and does not account for insurance receipts for Stanford and TID which partially offset the financial impact of underperformance.

772 MWDC Capacity Operating Portfolio Monthly Production[7]



US PLANTS

NEW's US portfolio generated a total of approximately 182,500 MWh[7] of electricity during the quarter. Performance was 12.9% below the Investment Manager's weather-adjusted expectations; 8.9% resulted from the fire damage at Stanford and TID and 3.3% from performance issues at MS2 early in the quarter.

The two plants in Oregon and the Boulder plant in Nevada performed above weather-adjusted expectations. As NEW's second largest plant, Boulder's contribution to quarterly production was significant at almost 2.1% ahead of expectations.

In North Carolina, output from the plants was 6.1% below weather-adjusted expectations primarily as a result of soiling on the panels at NC-31 from agricultural activity in the period and unscheduled maintenance.

In California at MS2, NEW continued to work with the Operations and Maintenance contractor and engineers to rectify the performance issues at the plant. By the end of the quarter, performance had improved materially over the previous two quarters, however work is ongoing to identify the cause of residual site underperformance.

AUSTRALIAN PLANTS

NEW's Australian portfolio generated a total of approximately 84,300 MWh[7] of electricity during the quarter. This was 18.3% below the Investment Manager's weather-adjusted expectations.

As described above, issues at the Beryl and Manildra plants contributed to the portfolio's underperformance this quarter. These issues have now largely been rectified.

Ground View – County Home – North Carolina

PORTFOLIO SUMMARY[4]

OREGON PLANTS

Name	Capacity (MW_{DC})	Offtaker
●Bonanza	6.8	PacifiCorp
●Pendleton	8.4	PacifiCorp
Total	**15.2**	

CALIFORNIA PLANTS

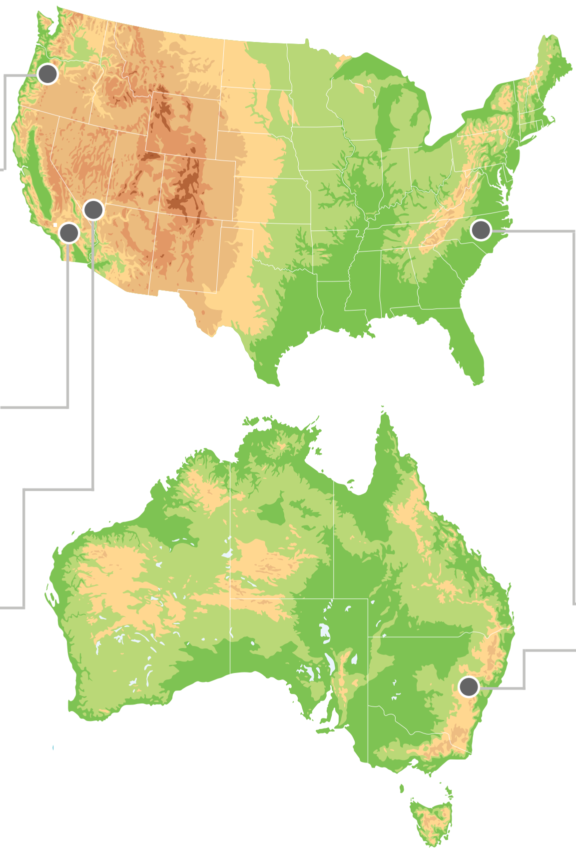
Name	Capacity (MW_{DC})	Offtaker
●Stanford	67.4	Stanford University
●TID	67.4	Turlock Irrigation District
●Moun. . Signal 2	199.6	Southern California Edison
Total	**334.4**	

NEVADA PLANTS

Name	Capacity (MW_{DC})	Offtaker
●Boulder Solar 1	124.8	NV Energy

KEY

●Operational



NORTH CAROLINA PLANTS

Name	Capacity (MW_{DC})	Offtaker
●NC-31	43.2	Duke Energy Progress
●NC-47	47.6	Duke Energy Progress
●Hanover	7.5	Duke Energy Progress
●Arthur	7.5	Duke Energy Progress
●Church Road	5.2	Duke Energy Progress
●Heedeh	5.4	Duke Energy Progress
●Organ Church	7.5	Duke Energy Carolinas
●County Home	7.2	Duke Energy Progress
Total	**131.1**	

NEW SOUTH WALES PLANTS

Name	Capacity (MW_{DC})	Offtaker
●Manildra	55.9	EnergyAustralia
●Beryl	110.9	Sydney Metro, and Kellogg's
Total	**166.8**	

ENDNOTES

1 New Energy Solar Limited (ACN 609 396 983) (**Company**), and E&P Investments Limited (ACN 152 367 649, AFSL 410 433) as responsible entity of New Energy Solar Fund (ARSN 609 154 298) (**Trust**), together **New Energy Solar**, the **Business** or **NEW**.

2 Based on a $0.865 NEW stapled security price and 355.3 million stapled securities outstanding as at 31 December 2020.

3 Capacity-weighted average PPA term remaining as at 31 December 2020.

4 Total portfolio of 772 MW_{DC} includes plants that are wholly or partly owned by NEW.

5 Estimates use the first year of each plant's electricity production once operational or acquired by the Investment Manager. Assumes all plants are owned by NEW on a 100% basis and that all plants are fully operational for the period.

6 US CO_2 emissions displacement is calculated using data from the US Environmental Protection Agency's "AVoided Emissions and geneRation Tool" (**AVERT**). Australian CO_2 emissions displacement is calculated using data from the Australian Government Department of the Environment and Energy.

7 Production included for all solar power plants on a NEW equity interest basis.

8 Initially announced on 24 June 2020, with damage quantified in 2020 First Half Results announcement on 21 August 2020.

Important Notice:

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