

24 March 2022

BioHub and STAK Mining gaining momentum

Highlights

- Core retail business nearing critical mass and expected to generate sustainable positive free cashflow
- LPE providing the switch to renewable-energy generation driving potential returns to STAK
- Progress towards constructing the BioHub facility in Bundaberg, Queensland, is now well-underway, with the primary focus on fast-tracking STAK Mining's tenancy requirements
- STAK Mining is accelerating its green crypto-currency mining platform by achieving the following soft milestones ahead of schedule:
 - 1) Negotiations for an additional 240MW in solar energy to power its operations; and
 - 2) Sourcing the inaugural 110 miners (out of a planned 1,000 for the BioHub) which are expected to commence operating in Q3 2022
- LPE's option to acquire 50% of STAK Mining will potentially deliver a diversified and significant revenue stream back to the Company.

LPE Chairman, Justin Pettett, commented: "With an in-depth internal review showing LPE's retail business rapidly heading towards critical mass and, in turn, likely generating sustainable positive free cashflow, the Board decided it was strategically timely to diversify into renewable generation. Whilst early days, it is pleasing that work on the BioHub facility is now well-underway and STAK is ramping up its crypto-currency mining platform. The Board is very excited about the significant value creation potential should it decide to exercise the option to acquire a 50% stake in STAK Mining and opportunity to vertically integrate its expected future revenue stream into the business."

Locality Planning Energy Holdings Limited (**ASX: LPE**) (the **Company** or **LPE**) is pleased to announce progress on the development of the BioHub facility in Bundaberg, Queensland, and the operations of its anchor tenant, behind-the-meter crypto-currency mining tenant, STAK Mining Pty Ltd (**STAK**) are gaining momentum.

Construction work on the BioHub facility is now underway (Figure 1 on the follow page), with the primary emphasis on fully developing STAK's tenancy requirements. Once complete, work will shift to tenancy 2 and 4, which will respectively comprise producing organic waste gas and an incineration capability to generate renewable electricity behind-the-meter.

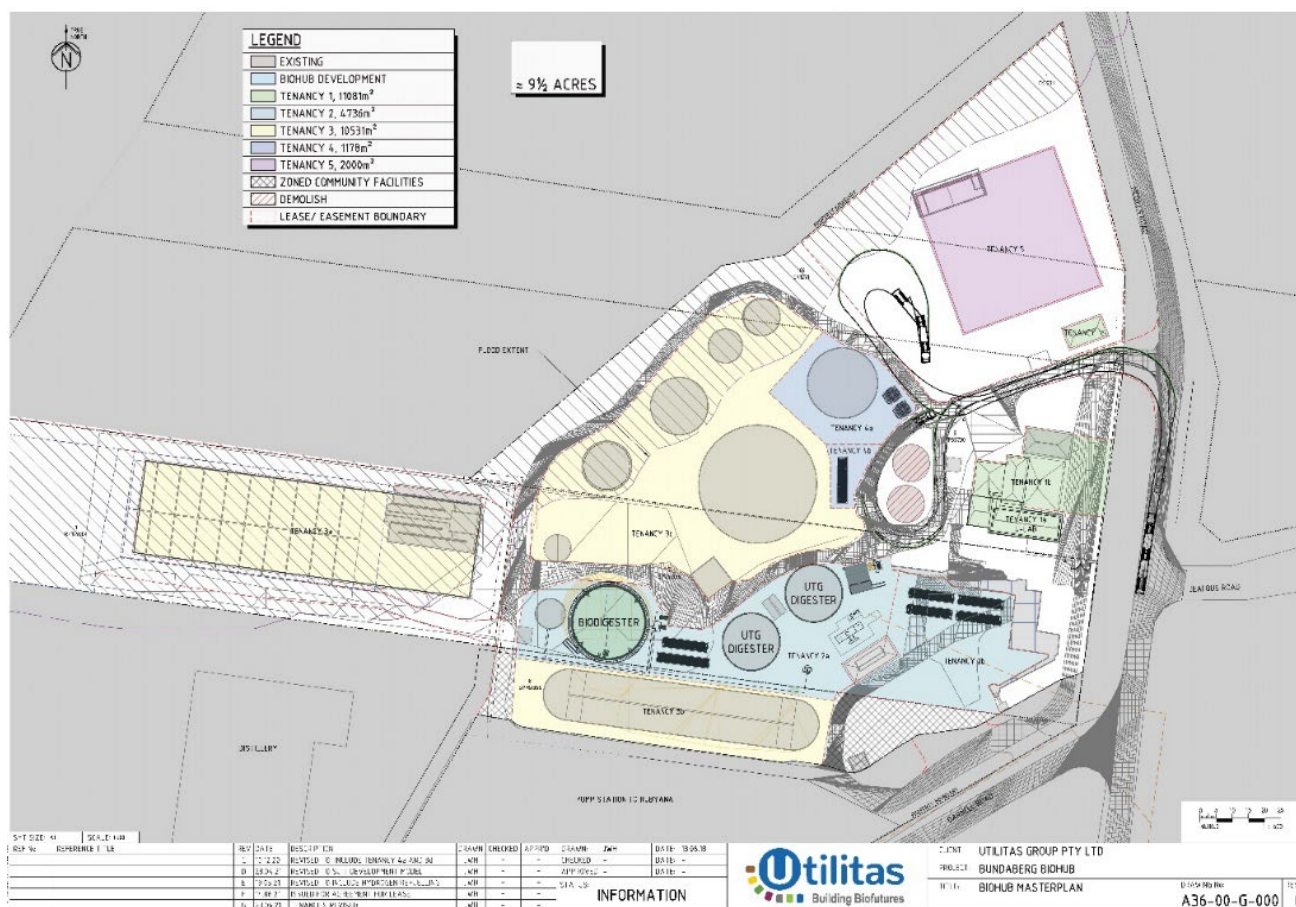


Figure 1: Schematic of BioHub development showing STAK tenancy in purple

STAK Accelerates Crypto Currency Mining Operations

STAK has secured agreement in principle with two 120MW solar farms – located between Gympie and Bundaberg (Queensland) – to energise all its electricity requirements for additional behind-the-meter crypto-currency mining operations. The Bundaberg site has development approval for a 120MW solar farm, with batteries and grid connection signed-off through local network provider, Ergon.

Each site is expected to house 5,000 miners (10,000 in total) generating enough Bitcoin (BTC) to fall within the top producers worldwide when fully operational in 2-3 years time from state-of-the-art computer modules (miners.)

Initial 110 Miners for BioHub Secured

The initial miners for STAK's operation at the BioHub have been sourced and ordered, with expected arrival ahead of schedule in June 2022. These 110 miners, when operational, will contribute to the initial three months free cashflow which can be reviewed by LPE under its option agreement to convert A\$3m from its Capital Works Funds into a 50%-stake in STAK.

The STAK team have been running algorithms for over a year and achieving the modelled results outlined above. Note, STAK has been primarily modelling and mining BTC which is the most conservative of the crypto-currencies.

LPE's STAK Option Summarised

The following re-caps the salient points underpinning the STAK option agreement:

- LPE has already funded A\$2m of Capital Works Funds from tranche 1 of its recent placement to the BioHub, with a further A\$3m injection once tranche 2 settles post the shareholder meeting on 30 March 2022.
- A total of A\$5m in Capital Works Funds has been committed to the BioHub by LPE. In return, BioHub guarantees LPE a 15% return which is paid quarterly (equates to A\$750k per annum).
- The A\$5m is secured through a second registered mortgage over the BioHub project, with STAK one of the primary tenants.
- LPE is the named retailer and will earn a margin on the sale of electricity to the tenants behind the meter and from the grid.
- STAK will purchase, then deploy its first 110 miners so they are cash generative. As noted above, these miners have already been ordered.
- LPE will get to review three months of free cashflow before deciding whether to convert its A\$3m option into a 50%-interest in STAK. The remaining A\$2m will continue to earn 15% interest until full repayment in approximately 12-18 months' time.
- Once the option is exercised, then LPE will lend STAK up to A\$17m in two tranches of A\$9m and A\$8m per quarter respectively and have a first ranking security over STAK. The loan will be repaid from free cashflow, with full repayment estimated to be settled within 12 months.
- STAK is initially forecast to generate enough free cash flow from its 1,000 miners to be up and running at the BioHub to produce a 100% IRR on LPE's proposed A\$3m investment including debt repayment of the A\$17m.
- The significance of the 110 miners is that LPE gets a free look at STAK's free cashflow performance, while fully secured and earning interest through the BioHub.
- In CY24 and CY25 STAK plans to ramp up operations across two additional renewable sites as outlined above, with 5,000 miners per site in place (10,000 miners in total).
- As outlined in the Company's 14 February 2022 announcement, before exercising the STAK Option, LPE may be required to comply with any applicable regulatory requirements and obtain any applicable regulatory approvals, including without limitation those under ASX Listing Rule 11.1.

Overall, LPE is protected through the BioHub if the STAK option is not exercised and will receive its A\$5m Capital Works Funds back and enjoy quarterly payments (at 15% per annum), while retaining the retailing function at the BioHub.

Authorised by the Board.

For further information:

Justin Pettett

Non-Executive Chairman

investors@localityenergy.com.au

+61 447 461 749

ENDS

About LPE

LPE is a fast-growing electricity provider challenging the way customers receive their electricity; going beyond being just a traditional supplier, leaders in innovation, supporting strata communities to think of tomorrow. With first to market technology, LPE has delivered shared solar for apartment living and carbon neutral centralised hot water systems, creating shareholder value through long term supply agreements that provide strong recurring revenue.

LPE predominantly service the Queensland energy market, selling electricity, hot water, solar and battery systems to homes, business, and strata communities. Providing strata communities, the solution to reduce their carbon footprint and energy bills with no upfront cost. Empowering people to save money and create sustainable communities of the future.

For more information visit: investors.joinlpe.com.au

About the BioHub

Smart Capital Group (**SCG**) is a boutique property development and management company based in Brisbane, Queensland. SCG was formed in 2016 with its sole purpose to focus on and identify sectors of the community that had historically been underinvested. SCG is the developer and owner of Bundaberg BioHub Pty Ltd (BBH) the owner of the BioHub Project in Bundaberg, Queensland (**BioHub**).

SCG has completed and is developing multiple projects ranging from residential, land subdivisions, medical precincts, BioHub's and Data Centres throughout Queensland, Victoria, and New South Wales.

About STAK Mining Pty Ltd

STAK Mining Pty Ltd (**STAK**) is a newly formed Australian company. The owners and directors of STAK are from the procurement and technology industries with experience in cryptocurrency mining and secure tier III data centres. The directors and executives have significant relevant experience, and includes a former senior director of Microsoft, a former chief technology officer of private and listed companies in Australia, and a former executive in IT roles and IT companies.

STAK has signed a tenancy agreement with the BioHub and estimates that its mining operations will commence in Q3 of CY22. STAK's mandate is to be energised by 100% renewable energy (electricity) for all their operations preferably from sites that are self-generating through solar, hydrogen and battery, thus eliminating their carbon footprint and any draw on the electricity network.