

29 July 2022

Quarterly Report for the period ending 30 June 2022

Highlights

- Transformative restructuring exercise leaves LPE in a strong financial position, materially de-risked and well-placed to develop the profitable strata business and vertically integrated renewable assets
- The exit from the on-market retail sector removes a costly overhang resulting in circa \$30m flowing back to LPE over the next 12-months which is being used to retire short-and-long-term debt
- As at the date of this report, \$5m out of \$8m in credit support has been released back to LPE enabling a \$4m short-term loan obligation to Black Rock Group to be settled in full. The remaining \$3m is due to be received this quarter
- \$17m of closed on-market hedge book cashflow will be received over the next 12 months and the remaining \$5m over the 12 months that follow. LPE is considering receivables financing solutions to bring these funds forward to eliminate the remaining debt and secure a strong cash position as soon as possible.
- Notably, the high-value contracted embedded network business grew +19% YoY to over 28,000 customers.
- Further, work on the BioHub construction continues, with Stak Mining expected to commence operations in Q4CY22

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LPE Chairman, Justin Pettett, commented: “The Board is delighted with the progress made during the quarter which leaves LPE in a strong financial position and well placed to rapidly develop its strata business and vertically integrated renewable assets. Moving forward, the Board’s priority is to ensure these operations are fully resourced and optimally structured to create significant incremental value for shareholders.”

Embedded electricity provider and green energy generator, Locality Planning Energy Holdings Limited (ASX: LPE) (the **Company** or **LPE**), is pleased to provide an overview of activities for the period ending 30 June 2022 (**Quarter** or **Reporting Period**).

LPE’s cash receipts for the quarter amounted to \$18.7m which brings the total for FY22 to \$68.4m. From mid-May until 30 June 2022, LPE saw 80% of its on-market customers transfer away due to Queensland’s wholesale electricity crisis, otherwise FY22 revenues would have exceeded \$70m guidance.

Pleasingly, LPE’s contracted embedded network customers increased from circa 26,000 to over 28,000 during the June quarter (Figure 1). A key ongoing focus remains acquiring and servicing these high-value customers, as they generate high EBIT margins and value for shareholders.

Jun-22

	TOTAL	Mar-22	chg*	Jun-21	chg**
Contracted (ENs)	28,000	26,027	7.6%	23,513	19.1%
Recurring (Direct Market)	4,380	21,315	(79.5%)	17,738	(75.3%)
Total Customers	32,380	47,342	(31.6%)	41,251	(21.5%)

*Compared to last quarter

**Compared to last year

Figure 1: Embedded network customer profile

Optimal Restructuring Exercise

In late May 2022, LPE was one of the first retailers to communicate with on-market customers that it could no longer provide competitive rates. Further, LPE encouraged impacted customers to swiftly switch providers to avoid substantial increases to future power bills passed on from the wholesale electricity market. Since then, LPE's on-market customer base in this sector has reduced substantially from approximately 21,000 to 2,000.

This has delivered a significant positive flow on effect, with the moderation in customers and load reducing LPE's credit support obligations to the Australian Energy Market Operator (**AEMO**). To date, \$5m out of \$8m in credit support has been released back to LPE enabling a \$4m short-term loan obligation to Black Rock Group to be settled in full. The remaining \$3m is expected be received in the current quarter.

In addition, LPE has closed its wholesale electricity hedge book at \$22m which represents booked "in-the-money" value of forward electricity purchases for on-market customers. These fixed, known, weekly cash flows are earmarked to pay down LPE's remaining longer-term debt obligations. Note, most of the closed hedge book cash flows (circa \$17m) will be received during the next 12 months which more than covers LPE's outstanding debts – primarily with BlackRock Group. The remaining \$5m is expected in the 12 months that follow, however the Company is considering options to bring the whole balance forward through receivables funding. This would enable LPE to finalise loan commitments and strengthen its cash position much sooner. This will better position the Company to deliver shareholder returns.

Bolstering Strata Embedded Network Services

Over the years, LPE has grown its reputation as one of the largest providers of embedded electricity, solar and hot water services for strata communities throughout Queensland. The way LPE supplies electricity to strata communities is different to on-market customers, as it is a "fixed price purchase contract" currently through larger retailers which provide the AEMO credit support.

Strata customers, currently at 28,000 (+19% YoY), continue to grow as LPE takes on existing embedded networks, without the upfront capital requirement. Additional resources will be focused on the strata business to build on LPE's reputation as the strata provider of choice for body corporates and their occupants throughout Queensland.

Looking forward, the Board will provide revenue and earnings guidance to the market as it comes to hand.

Vertically Integrated Renewable Assets

Currently, the BioHub facility in Bundaberg (Queensland), with its anchor tenant behind-the-meter digital currency miner STAK Mining Pty Ltd (**STAK**), remains LPE's inaugural generation asset. Based on current estimates, STAK should commence commercial operations late in Q4 CY2022.

Opportunities to co-locate other high energy users within two solar farms (refer ASX Release – 24 March 2022) have the potential to boost high margin revenues moving forward. While in its infancy, the Board is encouraged by the pace of development and positive reception from stakeholders with its plans to accelerate renewable asset development through vertically integrated, high-energy users that can significantly improve returns.

Summary Financial Results

Cash receipts amounting to \$18.7m were received during the quarter. Payments for product and manufacturing costs were higher during FY22, due to the volatile wholesale electricity costs from the energy crisis. Cash inflows from the reduction in LPE's credit support requirements with AEMO (\$8m) and the closed hedge book (\$22m) are expected to materially improve the balance sheet in FY23. Staff costs were higher during the quarter as employee numbers were reduced and termination payments were made in June as staff numbers are reduced in line with future reduced revenues from exiting the on-market retailing sector.

Timing differences largely explain why LPE's cash flows can fluctuate materially when comparing individual quarters. However, the Board's primary focus for reporting quarterly performance is with reference to year-to-date results (refer Figure 2).

Statement of Cash Flows (AUD million)	YTD	YTD	
Cash Flows From Operating Activities	Q4 22	Q4 21	% Change
Receipts from customers	68.4	49.9	37.0%
Payments for product manufacturing & operating costs	(66.9)	(44.6)	50.1%
Cash Gross Profit	1.5	5.3	(72.4%)
Cash Operating Expenditure	(12.7)	(10.4)	21.7%
Cash EBIT	(11.2)	(5.1)	n/m

Figure 2: Summary financial results

Payments to related parties as shown in the accompanying Appendix 4C were for directors' fees, remuneration and superannuation.

Authorised by the Board.

For further information:

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ENDS

About LPE

LPE is a fast-growing electricity provider to strata communities challenging the way customers receive their electricity; leaders in innovation, supporting communities to think of tomorrow. With first to market technology, LPE has delivered renewable solutions 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 strata communities. Supporting those living in strata communities to reduce their carbon footprint and energy bills with no upfront cost.

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

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

Locality Planning Energy Holdings Ltd

ABN

90 147 867 301

Quarter ended ("current quarter")

30 June 2022

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	18,694	68,424
1.2 Payments for		
(a) research and development	0	(1)
(b) product manufacturing and operating costs	(18,375)	(66,949)
(c) advertising and marketing	(158)	(691)
(d) leased assets	(58)	(220)
(e) staff costs	(1,889)	(7,358)
(f) administration and corporate costs	(1,349)	(4,397)
1.3 Dividends received (see note 3)		
1.4 Interest received	239	692
1.5 Interest and other costs of finance paid	(558)	(1,782)
1.6 Income taxes paid		
1.7 Government grants and tax incentives	0	10
1.8 Other (provide details if material)		
1.9 Net cash from / (used in) operating activities	(3,454)	(12,272)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities		
(b) businesses		
(c) property, plant and equipment	(4)	(91)
(d) investments	(3,000)	(5,000)
(e) intellectual property		

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
	(f) other non-current assets	1,400	(3,324)
2.2	Proceeds from disposal of:		
	(a) entities		
	(b) businesses		
	(c) property, plant and equipment	36	36
	(d) investments		
	(e) intellectual property		
	(f) other non-current assets	708	708
2.3	Cash flows from loans to other entities		
2.4	Dividends received (see note 3)		
2.5	Other (provide details if material)		
2.6	Net cash from / (used in) investing activities	(860)	(7,671)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	5,530	13,832
3.2	Proceeds from issue of convertible debt securities		
3.3	Proceeds from exercise of options		
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(797)	(796)
3.5	Proceeds from borrowings	2,049	6,327
3.6	Repayment of borrowings	(1,017)	(1,217)
3.7	Transaction costs related to loans and borrowings	(101)	(810)
3.8	Dividends paid		
3.9	Other (provide details if material)		
3.10	Net cash from / (used in) financing activities	5,865	17,336

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1,587	5,745
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(3,4,54)	(12,272)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(860)	(7,671)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	5,865	17,336
4.5	Effect of movement in exchange rates on cash held		
4.6	Cash and cash equivalents at end of period	3,138	3,138

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	3,138	1,587
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (provide details)		
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	3,138	1,587

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	208
6.2	Aggregate amount of payments to related parties and their associates included in item 2	
<p><i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i></p> <ul style="list-style-type: none"> The amount at 6.1 includes payment of directors fees, remuneration and superannuation (excluding GST). 		

7.	Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i> <i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1	Loan facilities	20,298	19,298
7.2	Credit standby arrangements		
7.3	Other (please specify)		
7.4	Total financing facilities	20,298	19,298
7.5	Unused financing facilities available at quarter end		
7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		
	<p>The Company has a \$15 million loan facility with BlackRock maturing November 2022. This facility is secured, and the interest rate is 10% p.a.</p> <p>BlackRock provided an additional \$4.24 million loan in February 2022, at 1.25% per month and the Company has repaid \$1 million of this loan as at 30 June 2022, with the remainder paid at the time of lodgement of this report.</p> <p>The Company was also provided an unsecured short term \$1 million funding facility from Bundaberg Biohub Pty Ltd, at an interest rate of 2% per month, due to mature in September 2022.</p> <p>A further loan of \$1 million was provided to the Company from IJ Financial Services limited, at an interest rate of 1% per month, due to mature in September 2022.</p> <p>The Company has secured motor Vehicle loans with Westpac at 4% p.a.</p>		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	3,454
8.2	Cash and cash equivalents at quarter end (item 4.6)	3,138
8.3	Unused finance facilities available at quarter end (item 7.5)	
8.4	Total available funding (item 8.2 + item 8.3)	3,138
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	0.91
	<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	

8.6 If item 8.5 is less than 2 quarters, please provide answers to the following questions:

8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: Yes

8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: The Company has closed its on-market customer hedge book for a value of \$22 million payable monthly through to December 2024. Most of this fixed cash flow (circa \$17 million) will be paid to the Company monthly within the 2023 financial year. However, the Company is looking to refinance the BlackRock facility due November 2022, using this \$22 million in future cash flows relating to the close out of derivative positions on retail book.

8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: In addition to refinancing BlackRock using future cashflows on closed out derivative positions, a significant reduction in on-market retail customers by June has resulted in net cash inflows for wholesale electricity to be received in July, and access to more cash previously used as security for credit support with AEMO.

Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 29 July 2022

Authorised by: The Board
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the

[*name of board committee – eg Audit and Risk Committee*]. If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".

5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.