

## CHAIRMAN'S ADDRESS TO SHAREHOLDERS

**Sydney – 26 November 2020 – MPower Group Limited (ASX: MPR)**

MPower has come a long way in recent times, and today stands as a leading renewable energy business focussed on world class solar farms, battery storage systems and hybrid power systems. Our deep knowledge of technology combined with engineering excellence and a long track record of successfully delivering high specification projects places the business in an enviable position as Australia moves towards a decentralised power future.

Despite the disruption, delays and challenges of the COVID-19 pandemic, we have nevertheless managed to reposition ourselves very well. The group has successfully executed a transformation program and is now crystallising the benefits, with financial performance in the first quarter of FY2021 showing a significant improvement. Legacy projects that hampered MPower's financial performance in the 2020 financial year have been successfully quarantined, and there have been no ongoing losses from legacy projects since the start of the 2021 financial year.

As previously reported, the sale of MPower's product distribution businesses in February 2020 was a strategically important milestone that enables MPower to focus on its core strengths. The transaction remains subject to a post-completion working capital adjustment that is in the process of being determined. MPower believes the legal proceedings commenced by the purchaser alleging breaches of the Share Sale Agreement and associated claims are entirely without merit and MPower is defending the claim.

The sale transaction is one of a number of actions taken to transform the group in the last 12 months. In a nutshell, the forward business model for MPower's project business has been successfully refined; the project opportunities being targeted and the method of delivering them have been de-risked; higher margin projects are being pursued that draw on our established capability and track record; the committed cost base of the business has been materially reduced; bank facilities have been refinanced; the group has successfully disposed of its Victorian property; and we are now in an era where we are far more leveraged into future growth as we bed down our refined business model.

Our business model builds on our acknowledged leadership position in niche parts of the renewable energy sector and is targeting opportunities in the renewable and conventional power sectors where our core expertise overlaps with high growth areas.

MPower is specifically targeting 5MW<sub>AC</sub> solar projects in part because of their relative ease in connection to the grid. MPower successfully commissioned two 5MW<sub>AC</sub> solar farms in South Australia in 2019 and more recently has progressed the design and construction of a further two similar sized solar farms that have a combined value to MPower of over \$9 million. There are more on the horizon.

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The expertise and capability that MPower has developed around 5MW<sub>AC</sub> solar farms is also the focus of MPower's Build Own Operate plans. MPower is pursuing structured debt and equity solutions centered on a portfolio of 5MW<sub>AC</sub> solar farms in Australia. MPower has identified several key advantages of this strategy, including benefits of diversification in the market and minimal grid-related risks.

MPower is working alongside developers and others to progress potential development sites and ensure they meet MPower's criteria for investment. The aim of MPower's Build Own Operate aspirations is to leverage MPower's inhouse capability and experience and increase the revenue streams available from each individual project opportunity.

MPower's service division, that provides maintenance services to critical power system assets, has benefited from the group's new direction and focus. The service division has been awarded new contracts this financial year in the hospital and data centre sectors, being sectors that place a high value on reliability for mission critical assets.

As to the future, the immediate issue we face is that COVID-19 has slowed down decision making across the sector, but we are hopeful that these delays will not persist for long into the 2021 calendar year.

Whilst MPower's reported cash balance at the end of the first quarter stood at just under \$5 million, the group's cash position is expected to continue to reduce over coming months as financial commitments are met and we close out the structural changes that have taken place.

It is also pleasing to note that in recent months an encouraging number of new shareholders have come onto the share register. We take that as a positive sign of renewed investor interest in where MPower is heading and the company's ability to create value in its chosen part of the energy sector.

## Ends

### Contact

For further information, please contact:

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This announcement has been authorised by Peter Wise, Chairman.

### About MPower

MPower Group Limited (ASX: MPR) is a technology-led company with a long history specialising in the delivery of reliable on-grid and off-grid power solutions for blue chip corporate and government customers.

Headquartered in Sydney, MPower's team of professionals has successfully delivered turn-key solar, battery storage and micro grid projects across the region.