

14 February 2022

LPE to enter Renewable Energy BioHub

Highlights

- \$7.5m raised via high demand placement to sophisticated and institutional investors
- Funds raised to develop vertically integrated renewable energy generator system to power crypto mining and data centres to improve and accelerate returns
- LPE partners in renewable generation BioHub project located in Bundaberg, Queensland
- Tenants will include Bundaberg Hydrogen, biogas and biohydrogen laboratories and a tier III data centre and renewable crypto currency miner, STAK Mining
- Additional AEMO credit support funding secured

Locality Planning Energy Holdings Limited (**ASX: LPE**) (the **Company** or **LPE**), is pleased to announce that it has received firm commitments to raise \$7.5 million (before costs) by way of a Placement to new and existing sophisticated and institutional shareholders. The Company will issue 75 million fully paid ordinary shares at \$0.10 per share (**Shares**) together with a free attaching 1 for 1 existing listed option trading under ASX code of LPEO, with an exercise price of \$0.30, and expiring 26 October 2023 (**LPEO Options**) (**Placement**).

The Placement was very well supported with total bids received well exceeding the original raise target of \$6 million and the Company scaling back allocations to \$7.5 million. Capital raised from the Placement will be primarily used to fund the Company's participation in a BioHub Project located in Bundaberg, Queensland, unleashing the power of biogas, hydrogen and solar to fuel industry, support networks and energise communities (the **BioHub**) as outlined below.

BioHub Opportunity



Artist's impression of the fully developed BioHub project in Bundaberg, Queensland

LPE will be the electricity retailer for the BioHub, billing the renewable energy behind the meter and interfacing with the wholesale market to import/export any shortfall/excess energy. The BioHub is a large, embedded network generating renewable energy from solar, battery, biogas, and hydrogen on site, with the Company funding \$5 million in capital works (**Capital Works Funds**). LPE will receive a 15% per annum margin on the Capital Works Funds, to be paid quarterly, plus a fee to bill and supply electricity to the tenants within the BioHub. The Capital Works Funds principal will be repaid to the Company within 18 months.

The BioHub is located in Bundaberg, Queensland and consists of 5 tenancies in total and has some completed and existing buildings on site relating to tenancy 1. These are currently being used by Bundaberg Regional Council and Utilitas Group. The development is being completed progressively in stages, with new tenants, who have all signed tenancy agreements, expected as the stages complete. The overall development is currently targeting to be fully completed in approximately 12 months. Work completed on site so far, outside the existing tenancy 1 buildings, is site establishment, demolition, survey work, soil tests and some ground works. The new tenants of the BioHub will range from a freight logistics company which is contracted to convert local council waste trucks from diesel to hydrogen power; and a data centre and crypto-currency mining start-up company with a mandate to run on 100% renewable energy. A premium price can be obtained by LPE being involved in renewable energy and the BioHub, supplying green renewable energy to high usage tenants such as data centres and crypto miners (when its operations commence).

The attractiveness of the BioHub opportunity is twofold; LPE will be better aligned with larger-scale renewable generation; and LPE also has an option to convert \$3 million of its Capital Works Funds into a 50% ownership interest in the on-site crypto miner, STAK Mining Pty Ltd (**STAK**). Should LPE exercise its option (such exercise being subject to potentially applicable regulatory requirements as detailed below), it will receive its share of the proceeds in cash generated from mining operations in the BioHub, along with any additional mining operations that STAK develops from its 100% renewable powered projects. LPE will, prior to making any decision regarding its option (**STAK Option**), have the benefit of reviewing three months of operational cash flow from STAK, which is expected to begin operations in Q3 of CY22, to ensure that the miner is achieving its forecast cash flows.

LPE will, in connection with the Capital Works Funds, be granted security in the form of a second registered mortgage over the real property on which the project is being developed, behind the construction lender, and will receive, a margin of \$750,000 per annum paid quarterly from Bundaberg BioHub Pty Ltd via funding available to its development parent company, Smart Capital Group Pty Ltd, plus a margin on the electricity, from its involvement. The BioHub opportunity unlocks additional opportunities in higher margin renewable generation, data centres and crypto mining operations with excess green energy to be sold into the wholesale market and could include to LPE customers.

Further details on Bundaberg BioHub Pty Ltd and Smart Capital Group Pty Ltd along with the terms of the Company's participation in the BioHub and the STAK Option are set out at the end of this update.

LPE Chairman, Justin Pettett, commented: "This is an exciting time for the Company as LPE's involvement in the development of the BioHub will not only generate additional income with a healthy margin on our Capital Works Funds, together with energy sold into the BioHub, but will also give the Company the option to build a potentially highly lucrative, vertically integrated revenue stream within our retailing business by energising a 100% renewable powered crypto miner. The BioHub and crypto mining option is attractive to new and existing investors coupled with our growing retailing business of over 46,000 customers who delivered \$55 million in revenues in FY21 and our innovative solar virtual power plants launching this quarter."

Before exercising the STAK Option, LPE will 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 (**LR 11.1**) (if applicable). LR 11.1 requires ASX to be notified (and provided with all relevant information) before an entity undertakes a transaction which constitutes a significant change to the nature or scale of its activities; and before the entity can undertake the proposed transaction, ASX may require the entity to obtain shareholder approval (**Shareholder Approval**) and/or re-comply with the requirements for an initial ASX listing (contained in Chapters 1 and 2 of the ASX Listing Rules) (**Re-Compliance**). Among other things, Re-Compliance would require LPE to demonstrate that its structure and operations are appropriate for a listed entity. This would require ASX to assess whether it considered LPE's activities which would include STAK's crypto activities (by virtue of it's the Company's investment) to be appropriate for LPE as a listed entity. ASX's position and stance on crypto-activities is evolving and ASX has given general public guidance about its particular concerns about the appropriateness of certain crypto-activities for listed entities.

Consequently, investors are cautioned to be aware that there can be no certainty or likelihood that it will be practicable or possible for LPE to exercise the Option itself and obtain a direct equity interest in STAK. The STAK Option is, however, freely transferrable by LPE, giving LPE the opportunity to seek to realise its value if LPE cannot or does not exercise the STAK Option itself.

Placement Details

The Shares are to be issued in two tranches. Tranche one will consist of the issue of 23,221,183 Shares to new and existing professional, sophisticated, and other exempt investors to raise \$2.322 million. The Shares will be issued within the Company's existing 15% placement capacity under ASX Listing Rule 7.1 and 10% placement capacity under ASX Listing Rule 7.1A totalling 13,932,710 Shares and 9,288,473 Shares, respectively. It is expected that the tranche one Shares will be issued on 17 February 2022.

Tranche two will be subject to shareholder approval and will include participation by an associated entity of the Company's Chairman, Justin Pettett, who subscribed for a scaled back amount of \$90,000. The general meeting of Shareholders to seek approval for the Placement and other approvals will be called in due course.

The Placement was arranged and supported by CPS Capital Group Pty Ltd and Sandton Capital Advisory Pty Ltd (the **Joint Lead Managers**), who provided bids well exceeding the target raise amount, demonstrating strong support for the Company. Fees associated with the Placement include a 2% management fee on the total amount raised, plus a 4% selling fee on the total amount raised by the Joint Lead Managers. The Joint Lead Managers will also receive 1 LPEO Option for every 2 shares subscribed under the Placement, being a total of 37.5 million LPEO Options to be issued with the tranche two Shares, subject to shareholder approval.

Additional AEMO Credit Support Funding Secured

As outlined in the Company's recent December 2021 quarterly report, credit support is required by the Australian Energy Market Operator (**AEMO**) in relation to LPE's wholesale electricity purchases for its 20,000 direct market customers.

The Company's existing funder, BlackRock (**BR**), are providing LPE with a further \$4 million by way of a short-term facility, to fund its increased prudential requirements with AEMO over the coming months. This is the result of extreme volatility in the wholesale energy market due to Queensland generator failure and the convergence of hotter weather events.

The BR short-term facility provides the additional credit support required to cover the remainder of the summer period. LPE settles with AEMO and its financial instruments counter parties weekly, but five weeks in arrears, with hedging counter parties paying the spread between the agreed price and the wholesale energy final settlement price. Currently the spread to be paid to LPE over the coming weeks is \$3.2 million. An additional \$8.5 million is unrealised and, subject to further market movements, is payable to LPE in settlement of its hedge position, demonstrating the Company's strong and secure hedge position.

From May 2022 onwards, LPE's overall load softens and LPE will see a reduction in its credit support requirements. The additional facility amount provided by BR over the summer period will be released from AEMO credit support and LPE will repay the BR short-term facility from these funds. Terms of the additional short-term debt are as follows: 3-month term; 1.25% per month interest rate and a 6% establishment fee, capitalised into the loan, plus the issue of 2.784 million shares, subject to shareholder approval.

LPE Chairman, Justin Pettett, commented: "The Company has a strong financial backer in BlackRock, and our credit support is purely a cash timing issue between the time we must supply energy to our customers, settle with AEMO and our hedges paying out. The backing by BlackRock, together with the strong support from investors in this capital raise, will not only enable us to continue to grow but develop our position in the renewable generation space, with our first being the Bundaberg BioHub project."

Authorised by the Board.

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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 Bundaberg BioHub Pty Ltd

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.

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.

A term sheet for an \$11 million construction loan from Centuria Bass has been signed by SCG for the BioHub with funding due 28 February 2022.

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. The building that will house STAK's operation is yet to be built on the BioHub site and STAK is yet to take delivery of its miners (computer modules). STAK 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.

BioHub and STAK Mining Option Terms

- LPE to enter vertically integrated renewable energy generation project via the BioHub located in Bundaberg, Queensland
- LPE to be the energy retailer of the BioHub, managing behind the meter renewable energy generation and interfacing with the market
- Tenants include or are expected to include Bundaberg Hydrogen, biogas and biohydrogen laboratories and data centre and renewable crypto currency miner STAK
- LPE to fund \$5 million of capital works, through an Installation of Works Agreement (IWA), of the BioHub between Bundaberg BioHub Pty Ltd, STAK and the Company
- LPE to earn a 15% per annum margin over an 18-month period at which time the IWA capital works will be repaid in full
- The IWA will be secured via a second ranking mortgage over the real property on which the project is being developed
- LPE has the option to convert \$3 million of its \$5 million IWA funding into a 50% ownership interest in STAK (subject to regulatory approval as detailed above). The STAK Option is freely transferrable to a nominee or third party by LPE. If it is not practicable or possible for LPE to exercise the STAK Option (for example because of the applicable regulatory requirements), LPE may sell the STAK Option to a third party to seek to realise its value.
- Subject to LPE exercising the STAK Option and to STAK achieving certain milestones, LPE agree to fund a further \$17 million into STAK through an interest free loan to retain its 50% equity interest. 100% of the cash flows from STAK will be used to repay the loan in around 12 months