

Enova Community Energy

Replacement Crowd-Sourced Funding Offer Document

04.10.18



Crowd-Sourced Funding Offer Document

4 October 2018 Replacement Offer Document

This replaces the Enova Community Energy offer document dated 20 August 2018

Offer of fully-paid ordinary shares in Enova Community Energy Limited at \$1.00 per share to raise a maximum of \$3,000,000

002

This replacement crowd-sourced funding (CSF) offer document relates to the Offer of fully-paid ordinary shares in Enova Community Energy Limited. This Offer is made under the CSF regime in Part 6D.3A of the Corporations Act 2001 (Corporations Act).

Issuer

Enova Community Energy Limited ACN 606 006 731

Intermediary

Crowd88 Limited ACN 609 908 009 AFSL 507 867

Contents

Section One: Risk Warning	004
Section Two: Information About The Company	007
2.1 Company Details	008
2.2 Description Of The Business	009
2.3 Capital Structure	022
2.4 Directors & Senior Managers	023
2.5 Risks Facing The Business	027
2.6 Financial Information	030
2.7 Competitor Comparison	037
Section Three: Information About The CSF Offer	038
3.1 Terms Of The Offer	039
3.2 Use Of Funds	039
3.3 Rights Associated With The Shares	040
Section Four: Information About Investor Rights	043
4.1 Cooling-Off Rights	044
4.2 Effect Of The Corporate Governance Concessions	044
4.3 Communication Facility For The Offer	045
Glossary	046
Annexure	047

Section One:

Risk Warning

Crowd-sourced funding is risky. Issuers using this facility include new or rapidly growing ventures. Investment in these types of ventures is speculative and carries high risks.

You may lose your entire investment, and you should be in a position to bear this risk without undue hardship.

Even if the company is successful, the value of your investment and any return on the investment could be reduced if the company issues more shares.

Your investment is unlikely to be liquid. This means you are unlikely to be able to sell your shares quickly or at all if you need the money or decide that this investment is not right for you.

Even though you have remedies for misleading statements in the offer document or misconduct by the company, you may have difficulty recovering your money.

There are rules for handling your money. However, if your money is handled inappropriately or the person operating the platform on which this offer is published becomes insolvent, you may have difficulty recovering your money.

Ask questions, read all information given carefully, and seek independent financial advice before committing yourself to any investment.

Thank you for considering buying shares in Enova – Australia's first community owned energy retailer.

The Enova vision is for communities around Australia to act on a local basis on climate change and to benefit from building a renewable energy future - without leaving anyone behind because they can't afford to participate.

Two years after obtaining its licence and commencing operations in the Northern Rivers, Enova, funded solely by like-minded individuals, families and community organisations from around Australia, has reached the target customer numbers set out in our initial Prospectus. And its annual revenues have reached \$5.4 million.

Now Enova is scaling up to replicate our model reaching new customers in other regions and cities in NSW, Queensland, Victoria, and South Australia. As a retailer Enova will support and enable decentralised and distributed renewable energy solutions for communities across Australia while assisting them to reduce carbon emissions.

As a social enterprise – a business created to further a social purpose in a financially sustainable way - Enova sells electricity to households and small businesses. We are tracking towards a 100% renewable model where local homes and businesses produce, consume and share Australia's abundant energy from the sun, supported by other sources of renewables and batteries.

Our profits will be shared between Enova investors and our non-profit arm that installs renewables in social housing, delivers energy efficiency services and energy education, and co-designs innovative local renewable energy generation projects, such as enabling renters to participate in the solar revolution. Our commitment to communities is that 50% of profits from our customers, after tax and reinvestment, will be made available for use within the communities generating those profits.

While it is possible for retail investors to invest up to \$10,000 under the equity crowd-funding rules, our aim through this share offer with a minimum subscription of one hundred \$1 shares (a cost of \$100) is to encourage as many as possible to invest in Enova and help drive a community-led energy transition. In considering investment, please be sure to consider the risks outlined in Section 2.5.

A future powered by renewable energy, shared within communities and generated as locally as possible to minimise waste and costs, is within our grasp. Join Enova to become part of the solution. Remember, "the power of the people can be greater than that of the people in power."

Yours sincerely,



Alison Crook AO

Chair, Enova Community Energy

Section Two:

Information About The Company

2.1 Company Details

This offer of shares is made by Enova Community Energy Limited (ACN 606 006 731) (the Company). The Company was incorporated on 25 May 2015 as a public company limited by shares.

Registered Office And Contact Details:

Enova Community Energy Ltd,
9-11, Centennial Circuit, Byron Bay, NSW 2481

Principal Place Of Business:

9-11, Centennial Circuit, Byron Bay, NSW 2481

2.2 Description Of The Business

2.2.1 Who Are We?

Enova At A Glance

Northern Rivers residents have come together with a shared vision: that communities around Australia can take control of our renewable energy future without leaving anyone behind who cannot have solar panels for any reason.

This group and thousands more had just stopped the spread of coal seam gas at the NSW border, and they decided to form Australia's first community owned energy retail company.

Enova Community Energy founders brought our vision to life raising \$4 million from 1,100 community shareholders. 70% of our shareholders come from the Northern Rivers region.



We sold our first shares in music concerts, town hall meetings, local markets and small business gatherings.

Our message reached like-minded people across Australia who invested in shares and volunteered to tell our story far and wide.

Enova is a social enterprise that sells electricity to households and small businesses with a special model: we are tracking towards a 100% renewable - day and night - model where local homes and businesses produce and consume the sun's energy, supported by other sources of renewables and batteries. Our profits will be shared between Enova investors and our non-profit arm that installs renewables in social housing, delivers energy efficiency services and energy education, and co-designs innovative local renewable energy generation projects that allow renters to participate in the solar revolution.

In just 2 years, after obtaining our licence, we have built an amazing team of experienced and passionate energy, finance and marketing people at our Byron Bay HQ. Enova's capable team have attracted nearly 5,000 customers including 300 local businesses who share our vision, and we have achieved annual revenues of \$5.4 million. We won "Best of the Best award for Regional Sustainability" at the 2017 NSW Government Green Globe Awards. 60% of our customers generate or buy renewable energy – that's by far the greenest retail customer base in Australia. And we have only just begun, with solar gardens, virtual power plants, microgrids and local government partnerships in our sights.

Now Enova is scaling up to replicate our model reaching new customers in other regions and cities of NSW, Queensland, South Australia and Victoria.

Our customers care about climate change and embrace social innovation and new technologies. We can't wait to partner up with community groups and startups across our cities and regions to transform Australia's community energy model from the ground up.

Buy shares to become an Enova investor and to participate in Australia's community energy future!

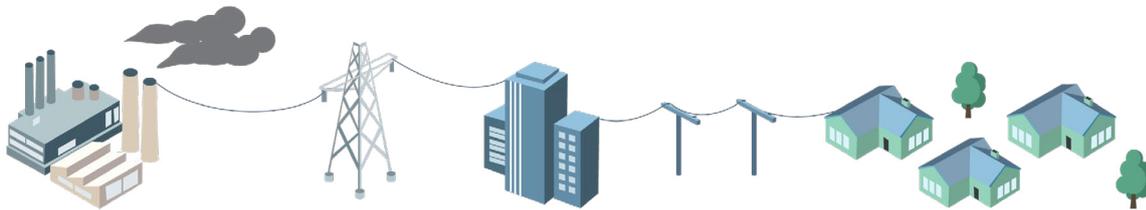
2.2.2 What Is Our Business Strategy?

Enova's strategy is to become a retailer that supports and enables decentralised and distributed renewable energy solutions for communities across Australia while assisting them to reduce carbon emissions.

We will achieve this by replicating the business model we are successfully deploying in the Northern Rivers region to reach like-minded communities and individuals across the National Electricity Market where our licence applies, and by collaborating with an ecosystem of community, government and business partners who share our vision.

Traditionally the electricity market looks like this: polluting coal fired power stations generate energy which is transmitted long distances across poles and wires that lead to homes and businesses.

Australia's Old And Broken Energy Model



Because of the distances and wasteful old-fashioned technologies involved, Australia has very high greenhouse emissions and the model is expensive.

Storms and heat waves have been shutting down our coal-fired generators making the model break during critical times of need.

This old, broken model is not affordable¹, not sustainable² and not reliable³.

There's great news: a new model dawns which puts people at the heart of our clean energy future. Because the cost of renewable energy has been declining at the same time as community support for renewables has been rising, a new model is now available that turns the old polluting arrangements upside down, and places consumers in control of energy supply and demand.

010

Enova's New Community & Consumer Led Energy Model



Footnotes

1. "Energy prices are high because consumers are paying for useless, profit-boosting infrastructure", The Conversation, 24 Oct 2017. See article [here](#).
2. "Australia ranks among the very low-performing countries in three of the CCPI's categories—GHG emissions, energy use and climate policy—and among the low performers regarding renewable energy, which results in position 57 in the overall tableau", Climate Change Performance Index 2018. Download report [here](#).
3. "Solar energy shines as heatwaves switch off gas and coal plants", Sydney Morning Herald, 12 Jan 2018. See article [here](#).

Challenges Enova People See in the World

Enova's people are not just interested in our stake in the renewables revolution: this is why we are pioneering a transition in Australia's energy model with a key community component. We believe that by reclaiming control of energy generation and retail, communities can build social capital, ensure an equitable renewables transition, and forge a pathway towards a cleaner environment for all. We are losing confidence in the ability of our governments to deliver these outcomes, so we want to take control of our destiny through social enterprise.



Enova is poised to scale into other communities, while firmly setting our gaze on bringing our Northern Rivers start-up model into profitability. Enova's Directors and staff are taking three strategic steps which require additional capital investment.

Enova's Three Strategic Priorities



Strategic Priority #1:

Reduce The Cost Of Our Wholesale Energy

Reducing the cost of our wholesale energy is vital to improving the competitiveness of our offerings as we track towards 100% renewables.

We are negotiating a Power Purchase Agreement (PPA) backed by renewable generation that can underpin Enova's growth over the next 2 years with stable pricing that reduces our wholesale energy costs and allows us to ensure that our products are priced attractively, including for people who can't afford solar panels or are not able to install them because they live in apartments or rent.

Successful negotiation of this PPA is key to delivering our customer growth plan – see Section 2.5 Risks facing the business.



Strategic Priority #2:

Accelerate Growth Of Our Customer Base

In order to grow our customer base Enova is implementing 5 key actions outlined below:

- a) Customer growth plan
- b) Implementing new energy solutions
- c) Extracting business efficiencies from our new billing system
- d) Building our larger customer capability and acquisition.
- e) Extending into new regions

a) Customer Growth Plan

Enova is taking steps to increase the speed of customer take up through a range of marketing activities and campaigns. These are outlined below with the targeted customer acquisition expected from each campaign. Capital investment is needed for effective marketing including digital campaigns, and for additional operational staff to recruit and manage additional customer numbers. Each of these campaigns will require proactive management to ensure that they remain on track to deliver the targeted customer numbers. See Section 3.2 for capital investment plans.

Towards the end of 2018 Enova plans to open for customers in Sydney, Newcastle and Wollongong. In early 2019 we enter the Southeast Queensland retail energy market.

A summary of Enova's customer acquisition targets for the coming 12 months is presented in Table 1 below. Directors are of the opinion the plan underpinning these targets is reasonable but recognise that the Company faces market and operational risks that impact on its ability to achieve targets – see Section 2.5 Risks facing the business.

Table 1: Customer Growth Plan

Enova Customer Growth Plan (1)						
	FY 2018/19				FY	Yr to Yr
	Q1	Q2	Q3	Q4	2019/20	Change
Total Customers Billed	4,960	5,746	9,311	11,228	19,030	69%
Northern Rivers Region	95.0%	95.0%	85.9%	82.8%	71.3%	-11.5%
Regional NSW	5.0%	5.0%	4.5%	4.4%	3.8%	-0.6%
Sydney, Newcastle, Wollongong	0.0%	0.0%	2.1%	5.9%	20.0%	14.1%
Southeast Queensland	0.0%	0.0%	7.5%	7.0%	5.0%	-2.0%
Total	100%	100%	100%	100%	100%	0.0%

Note: There is a 2 month delay between sign-up and billing. 2,000 crowdfunding investors convert to customers. Sydney sign-ups start Nov 2018; SEQ sign-ups start Jan 19.

We believe Enova’s customer growth plans are realistic because our entry into the Sydney market opens the Enova model to dynamic networks of like-minded customers who are also shareholders.



“I am a proud Enova shareholder and can’t wait to become a Sydney customer”

Sam Mostyn
Company Director, passionate sustainability advocate, social inclusion game changer.



“When Enova opens for customers in Sydney count me in - I love Enova’s ground-up vision for a renewable future”

Jess Miller
Digital activist, design led community transformer, Deputy Mayor of City of Sydney.



“Enova makes urban sustainability truly possible – Presync is a shareholder and we look forward to becoming customers”

Ben Waters
Founder and Director of Presync, green development leader, sustainable business catalyst

Enova’s market potential is significantly larger outside of Northern Rivers as Table 2 indicates.

Table 2: Market Potential

<i>Enova has growing market potential ABS 2016/17 Statistics</i>	<i>Small Scale Solar Installations</i>		<i>Private Dwellings</i>		<i>Market Potential</i>
	<i>Number</i>	<i>%</i>	<i>Dwellings</i>	<i>%</i>	
Coffs Harbor to Grafton	12,071	1.3%	49,959	1.1%	Projected Market Potential 7/18 - 6/20
Richmond to Tweed	27,817	2.9%	90,239	2.0%	
Illawarra	13,098	1.4%	104,649	2.3%	
Sunshine Coast	48,401	5.1%	127,978	2.8%	
Greater Brisbane	246,325	25.7%	786,513	17.1%	
Gold Coast	253,557	26.5%	861,720	18.7%	
Newcastle & Lake Macquarie	198,389	20.7%	973,409	21.1%	
Greater Sydney	157,820	16.5%	1,616,823	35.1%	
<i>Enova priority markets 2016-2019</i>	<i>957,478</i>	<i>100.0%</i>	<i>4,611,290</i>	<i>100.0%</i>	

Note (1): As of 30/6/18 Enova has signed up 4,712 customers or 3.4% of the Northern Rivers region of NSW.

Enova is developing opportunities for marketing to apartment residents based on the solar garden model in urban settings. As the Company moves into Sydney, Enova’s appeal to renters and apartment owners not able to install solar will grow as a result of solar gardens that enable this market.

Enova is partnering with a major property developer to apply for an exploratory solar garden grant from the NSW Office of Environment and Heritage with the aim of exploring options for Sydney solar farms on commercial buildings.

b) Implementing New Energy Solutions

Enova is developing new energy solutions outlined in Table 3 which will differentiate its community energy offerings as the Company scales its operations.

Table 3: New Products Under Development

New Product	Overview
Industrial Estate Mini-Grid	<p>Enova is working with Essential Energy, to pilot a mini-grid in the Byron Arts and Industry Estate. Modelling has been carried out by UNSW PhD students under supervision of a senior researcher living locally. LO3 Energy, the innovators behind the Brooklyn micro-grid, are keen to have their software used, and Essential has approval to install a grid side battery.</p> <p>We have obtained funds for marketing to acquire participants from NSW Dept of Planning, Clean Energy Programs (see Appendix B for details), and the project is now underway. It will demonstrate the value of local energy sharing for the whole estate (some 250 + businesses).</p>
Solar Gardens	<p>Enova has developed a model to enable people who cannot install solar PV on their own roof tops for any reason (renting, unsuitable roof etc), to “subscribe” to panels in a solar garden which is then installed on a business rooftop. In this model the business and the “solar gardeners” become customers of Enova Energy. This enables the business under the roof to receive a 30% discount on all solar used, while the subscribers receive a credit on their bills for the energy purchased and the energy exported. Those who rent can take their subscription with them when moving. And subscriptions can be gifted to family members or to low income families by community organisations.</p> <p>Each garden can have up to 20 “subscribers” and has a 20-year life. Enova’s first solar garden is currently being planned for installation. We intend to roll out this model across suitable rooftops as Enova scales.</p>
Virtual Power Plants (VPPs)	<p>VPPs involve the installation of solar PV and batteries on a targeted number of households. The householder outlays no money, is not involved in maintenance and receives all energy at a fixed price for the next 15 years. Supply charges will be increased by CPI after the first 5 years. Enova will have the ability to use the stored energy to offset demand at peak times so that Enova has virtual generating capacity.</p> <p>Modelling shows investors in the VPP will receive a return of 5% plus. If social housing providers or government wishes to become involved they could lower prices to householders still further in return for accepting a lower ROI.</p>

c) Extracting Business Efficiencies From Our New Billing System

A new billing system that positions Enova for growth has been implemented during 2017-18 financial year.

Steps are being taken to ensure efficiencies made possible are implemented and an improved customer sign-on experience and web interface results.

d) Building Our Larger Customer Billing And Acquisition System

Additional capital will be used to employ appropriate specialist skills and experience to prepare offers for large customers (Councils, agricultural businesses etc); to provide the cashflow needed for market settlement and protect against the risk involved in managing larger customers; and to market to larger customers.

Regionally we are aware of many larger customers who would like to buy locally and be seen to be buying locally.

e) Extending Into New Regions

Work is in hand to enable a launch into Newcastle, Sydney and Wollongong in late 2018, and Southeast Queensland by early next year.

This involves new interfaces for Enova with Ausgrid, Endeavour, Energy Queensland distributors, additional system inputs, new pricing development and minor collateral changes. A capital injection will enable strong targeted marketing campaigns.

Enova plans to invest up to \$2million in capital raised to support the Company's expansion into new regions. There is a risk that without this additional capital the Company will not be able to sustain the customer acquisition plans outlined on page 12.

Enova community partnerships will support growth into new regions because Enova is committed to sharing 50% of profits after tax and reinvestment, once profitable, with the communities from which customers come. Enova revenue sharing is intended to support communities in planning and implementing renewable generation and energy sharing projects as well as projects that address energy poverty and energy efficiency coaching. This will be supported through our not-for-profit arm, Enova Community, which is a registered charity.

While not yet in profit, Enova is already partnering with community groups to deliver energy educational and social benefits projects. Further we partner with community groups and organisations to provide a \$50 ongoing benefit for like-minded organisations that bring customers to us, for as long as they remain Enova customers. Community marketing partnerships will support our growth into new regions.



Strategic Priority #3:

Partnerships

The shape of the retail market is changing rapidly and dramatically, and it is vital that Enova position itself to participate in digital developments and be able to support and extend decentralised electricity service provision.

Enova is developing two strategic partnership clusters to stake our claim to a dynamic new energy retail market.

Partnerships To Empower Enova Prosumers

The future of sustainable energy provision lies in building the capacity for **prosumers** who both produce and consume energy to play a key role in distributed systems. Software which enables energy trading and demand management is necessary to deliver this future.

For small retailers it is vital to be able to provide these capabilities. Enova is evaluating a number of Australian software solutions, and one US option which are in different stages of development. A range of partnership agreements are in place. We aim to prototype solutions in different pilot projects (industrial mini-grid, embedded residential network, virtual power plant).

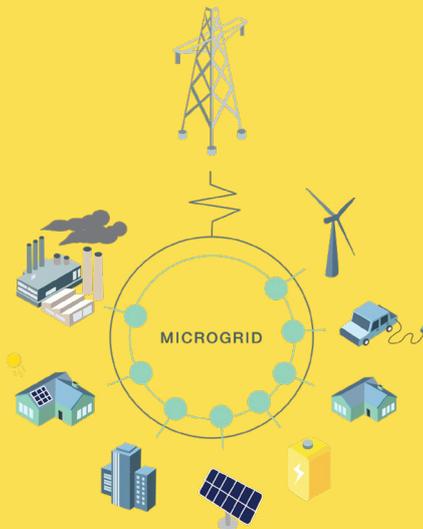
Enova aims to partner with one or more software providers who can support our ability to empower our customers to manage their energy use effectively, while maximising the benefits of being energy producers.

Partnership To Facilitate Embedded Microgrids

A **microgrid** is a small network of electricity users (homes, small businesses, schools) with a local source of supply that is usually attached to a centralised national grid but may be able to function independently.

Enova is in discussions with an embedded micro-grid developer focussing on new and existing residential complexes such as retirement villages. It plans a rapid roll-out in Southern Queensland.

One or more prosumer technologies (above) would be deployed.



2.2.3 What Is Our Current Business Model?

How The Enova Business Works

Enova is one of 28 retailers in Australia's National Electricity Market which is dominated by 3 large vertically integrated energy companies, the "Gentailers" that have dominant market positions in the generating and retailing energy (AGL, Origin and Energy Australia).

Nearly all of Enova's revenue presently comes from our retail activities. Our product range includes green power and enables customers to support renewable generation with over 60% of customers on renewable/green power.

Enova's marketing campaigns – online, print, community-led and public events – generate leads for our sales team. Our retail business located in Byron Bay consists of marketing, customer sales and service, a call centre, invoicing and bill collection.

We also work in community partnerships to support education about energy demand management, generate leads and support renewable energy generation projects.

Enova supports renewable generation through various sources and projects including through solar feed-in-tariffs, solar gardens, and solar installations with community partners.



In the coming year – 2018 - Enova is continuing its journey to scale and sustainability. An acceleration of customer acquisition in regional markets and entry into urban markets will drive the business. Our processes emphasise customer relationships and our sustainable mission while remaining efficient and commercially effective. We have very low levels of customer complaints and enjoy customer retention rates above the industry average.

In order to reach profitability and sustain growth, we need to attract enough customers to cover the costs of providing increasing levels of renewable energy and our business operating costs. Our forecast indicates we should become profitable during the June quarter of 2019.

Once we are profitable, 50% of our after-tax profits will be distributed to Enova communities through our not-for-profit arm with the purpose of assisting local generation projects and ensuring other excluded customers are not left out of Australia's renewable energy transition.

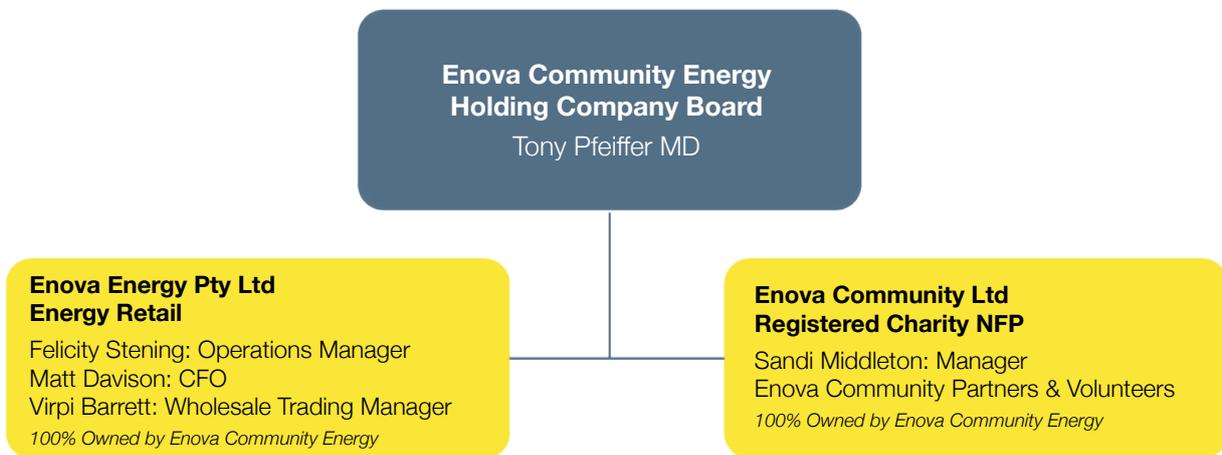
Our not-for-profit arm is already delivering community energy efficiency education, supporting installation of solar PV on social housing, and working with community partners on local renewable generation projects.

Your investment will help us complete our journey to scale and sustainability.

See Appendix A for a snapshot of the Electricity Industry and where Enova fits into it.

2.2.4 What Does Our Organisation Look Like?

Figure 1: Organisational Structure



Tony Pfeiffer

Tony is Managing Director and an Executive Director of the Board of Enova. Tony brings 34 years of experience in the energy utility sector including senior roles in ETSA (South Australia), Ergon Energy (Queensland) and Enova where he was a founding Non-Executive Director prior to becoming MD). Below we outline senior managers who report to Tony (staff bio details in Section 2.4). Tony is responsible for:

- Leading strategy, operations, compliance and engagement
- Managing senior staff and ensuring talent is developed and rewarded
- Developing and executing diverse strategic partnerships with Enova's ecosystem of business, community and government partners
- Ensuring Enova is resourced and positioned for success
- Providing thought leadership in community renewables, social enterprise and energy transition areas.

Felicity Stening

Felicity is Operations Manager. She brings 20+ years of energy industry experience to Enova including senior roles at Jemena Gas Networks, Pooled Energy, Australian Power & Gas and the NSW Department of Energy, Utilities and Sustainability. Responsible for:

- Strategic development initiatives as part of the management team
- Managing retail electricity operations functions including managing call centre, sales, customer service and billing teams
- Product development
- Directing sales, channel partners and developing new channels to market
- Overseeing communications, marketing activities and customer experience
- Managing key relationships with regulators, networks and other service providers
- Ensuring retail electricity compliance obligations are met.

Matt Davison

Matt is Enova CFO. He is a qualified accountant (CPA) and brings 15 years of energy industry experience including leadership roles at Origin Energy and Simply Energy. Responsible for:

- Executing the financial strategy of the company
- Managing financial controls and accounting procedures
- Ensuring full transparency over the financial performance of the company
- Providing advice on how to increase revenue and reduce costs
- Effectively and clearly communicating potential risks in a timely manner
- Proposing action plans to ensure that annual financial objectives are attained
- Supporting the CEO with the preparation of monthly and annual financial plans
- Coordinate and produce all tax documentation as required.

Virpi Barrett

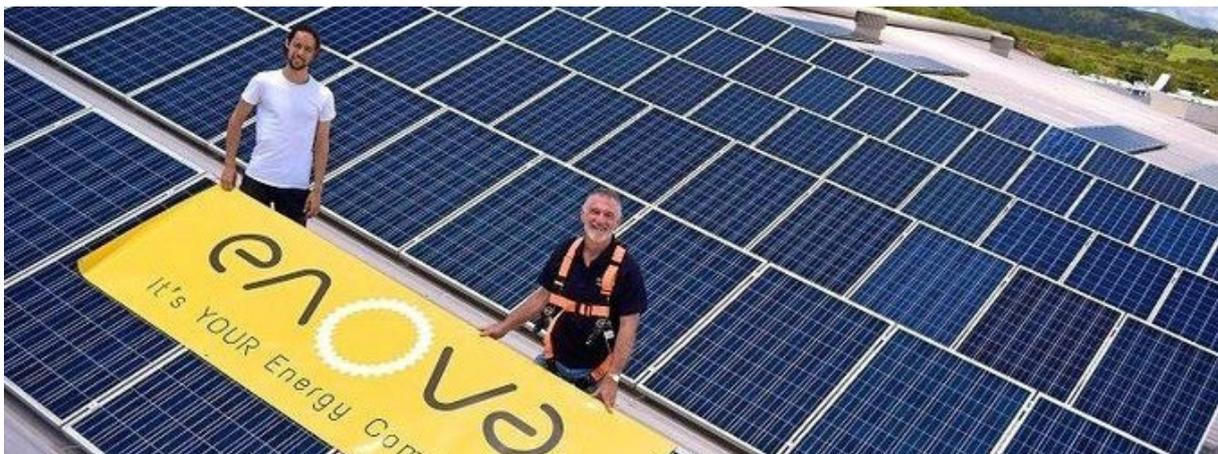
Virpi is Enova's Wholesale Trading Manager and brings 15 years of senior experience from European energy markets, including with Energiakolmio in Finland and Germany where she was Desk Head for Agreements and Frameworks at E.ON Energy Trading SE. Responsible for:

- Monitoring relevant markets and assessing implications for retail operations
- Contributing to the delivery or exceedance of budgeted gross margin for retail products
- Contributing to the effective development and implementation of trading and commercial strategies and management of market risk exposures within relevant limits
- Initiating, negotiating, concluding and managing structured transactions and commercial arrangements with market counter parties
- Ensuring that the operational requirements for structured contracts and trading arrangements are implemented
- Risk and Compliance management for the Retail operations
- Providing high quality and timely reports to the CEO and Board of Directors.

Sandi Middleton

Sandi is Manager of Enova Community, and brings over 20 years of experience in community development and energy transformation work. She was Byron Shire Council Sustainability Officer and has had senior roles in the Centre for Sustainability Leadership and the National Energy Efficiency Network. Responsible for:

- Implementing the strategic goals and objectives of Enova Community
- Managing the day-to-day operational activities of Enova Community
- Supporting the Board of Directors to fulfil their governance functions within the requirements of a registered charity
- Overseeing fundraising planning and implementation, including identifying resource requirements, researching funding sources, establishing strategies to approach funders, submitting proposals and administrating fundraising records and documentation
- Enlisting, managing and training a range of volunteers
- Marketing and promoting Enova Community services to the community
- Managing how community organisations located around Enova's growing national customer base will be funded to support an equitable renewable energy transition through Enova's 50% after-tax profit sharing arrangements. Sandi and her team at Enova Community will ensure that recurring funding is distributed for community benefit projects delivered by local partners as our customer base grows into different regions.



Replacing The Clean Energy Target With A Dirty One

By [Tony Pfeiffer](#) on 18 October 2017, *RenewEconomy*

It is difficult to see any common sense in the Federal Government's decision today to walk away from Clean Energy Target recommendations in favour of a new energy policy.

Full details of Turnbull's new plan need careful consideration over the coming days, but from the outset it is clear that alongside scrapping the CET, (which would have mandated a certain percentage of power be generated from gas and renewable energy and, as a result stimulated the renewable industry), the new policy will continue to rely heavily on gas and coal.

And for those of us passionate about renewable energy, this is a blow. What's more, the reasoning makes no sense. When Australia had a carbon credits scheme in place, the price of energy was less than half of the cost it is now – without any carbon scheme.

So, to suggest that a scheme, such as the CET, that encourages non-carbon producing technologies, and to purport that such a scheme will increase energy prices as the Government has done, is simply not supported by the reality we've experienced recently.

A 'Win For Consumers'?

With the announcement today, the Government declared "a win for consumers and savings of about \$115 on energy bills".

We are all in favour of more affordable energy. Consumers should – and must – be able to pay their energy bills. But right now, Enova is developing a renewable product, utilising solar and battery technology, and our preliminary modelling shows it will deliver consumers annual savings of \$460.

It is incomprehensible that the Government keeps side-lining renewables. It keeps citing the South Australian blackouts as its primary reason for wanting to deliver 'energy guarantees' for all Australians; yet (as AEMO has reported), the outage was caused by a conflagration of events, including the collapse of 20+ transmission towers, that culminated in a protection malfunction on the wind farms causing the cascading collapse of the system.

This would have occurred even if the protection fault was on an operating gas or coal fired plant.

To blame renewables is nonsensical. To make policy based on it, is even more ludicrous because, in doing so, the Government is putting the brakes on renewable investment and – irritatingly – continuing the kind of backward thinking that hinders progressive, long-term energy policy.

Favouring The Big Players

In an effort to address the issue of 'reliability' as the Government sees it, the 'new policy also outlines a 'reliability guarantee' in the form of a contract that all retailers will buy into.

My concern at this point is that this simply favours the large, incumbent players, and it has the potential to impact smaller retailers, especially if contracts don't have scalable, capped pricing. And frankly, right now, the smaller retailers are leading the way on innovation around the transition to renewables.

Furthermore this 'new' policy only perpetuates the idea that 19th century technologies will fix a 21st century problem. They won't. And while the government continues to ignore this very simple fact, Australia continues to be at a disadvantage – while the rest of the world is embracing renewables.

Malcolm Turnbull says Australia's commitment to the Paris Climate agreement remains unchanged, although it's also a stretch to see how this can be achieved while as a nation, we will continue to rely so heavily on coal and gas. Some officials have suggested they will put off dealing with our agreed targets until closer to the 2030 deadline, which again, only further demonstrates how short-sighted the Government is in making sensible energy policy.

The working families of Australia are relying on our politicians to show the way to a sustainable future, and this announcement does nothing more than reinforce an outdated paradigm. But while Federal government policy lacks any real long-term planning around renewables, small communities across the country will continue to forge ahead with the transition to renewable energy, regardless.

Community-Owned Renewable Energy Will Forge On

As an example, here in the Northern Rivers, the mayor of Byron has decreed that the Shire will be 100% carbon neutral for energy with 100% community ownership of the renewables by Sept 2019: It is a visionary statement, but one which has every possibility of turning into a reality, because it is clear and defined, and has extensive buy-in at a grass roots level.

In many places around Australia similar local initiatives are beginning to take shape. Make no mistake: community-owned renewable energy will power the future.

The community wants real change. And they want it now.

Tony Pfeiffer is CEO of Enova Energy, a community-based retailer operating in regional NSW, and looking to offer services in metropolitan areas.

2.2.5 Legal Or Disciplinary Actions Against The Company

There have been and there are no outstanding legal or disciplinary actions against the company.

2.3 Capital Structure

2.3.1 Issued Capital

As at the date of this CSF offer document, the Company has 3850 Class A Shares of which 2474 are voting and 1376 are non-voting, and 150 Class A preference shares with no difference in rights except that the preference shares are all non-voting.

Table 4: Issued Capital of the Company Prior to the Offer

No. of Shareholders	Share Type	Shares	Options
1100	Class A	3,850	Nil
2	Preference	150	Nil
	N/A	4,000	

Pursuant to the provisions of clause 3.1 of the Constitution, the Board has resolved to issue to each holder of 1 share an additional 1249 Class A shares (i.e. there will be 1,249 new shares issued in addition to each 1 share held) to be on par with Ordinary shares issued under this Offer and has advised shareholders accordingly (Share Replacement).

The Board has resolved to issue the new Ordinary Shares under this Offer document at \$1.00 per share and in a minimum subscription of 100 shares. Pursuant to the provisions of clause 3.1 of the Constitution the Directors have the right to issue shares or grant options over unissued shares to any person and they may do so at such times as they think fit based on the conditions and the issue price they think fit.

Table 5 sets out the issued capital of the Company following closing of the Offer and post the Share Replacement.

Issued Capital of the Company Following the Offer and Share Replacement

Shareholders	Minimum Subscription	Maximum Subscription
Pre-CSF Offer Shareholders (Class A and Preference shares)	5,000,000	5,000,000
Offer shares and resulting % ownership	600,000 10.7%	3,000,000 37.5%
Total shares on issue	5,600,000 (100%)	8,000,000 (100%)

Rights associated with Class A shares, Preference Shares and Ordinary Shares

A description of the key rights associated with all the shares presently on issue and all the shares following the issue relating to the Offer are set out at 3.3 below, as are matters relating to share allocation.

2.3.2 Debt Funding And Other Sources Of Funding

Director And Supporter Loans

To date, our activities have been primarily funded by the Company's 1,100 founding supporters. The company has 2 lines of credit in place, one for \$100,000 from a Director and one for \$350,000 from a supporter.

As at 30 June 2018, the \$100,000 line of credit has been drawn and \$30,000 of the second line of credit has been drawn.

Government Grants

The Company has secured award funding of \$33,000 from the NSW Dept of Planning and Environment under its Clean Energy Knowledge Sharing Initiative. Details of the terms of this grant are at Appendix B.

2.4 Directors & Senior Managers

2.4.1 Our Directors



Alison Crook AO, Chair

BA Hons, MBA, Dip Lib, Grad Dip Ed, Hon D Univ, Hon D Litt, FIPAA, FAICD, FALIA

Alison has extensive senior executive experience in public and private sector roles including: State Librarian (NSW), Director General State & Regional Development (NSW), Executive Director Operations Serco Asia Pacific & Managing Director Serco Transport Services, and Deputy Vice Chancellor Resources Monash University.

She also has strong non-executive director experience having served on 17 boards in both private and public sectors including IBM Australia, Lend Lease Corporate Financial Services, St James Ethics Centre, Australian Volunteers International and multiple boards connected with IT and Open Learning.

She has been named Australian Business Woman of the Year (Qantas-Bulletin), Australian Business Leader of the Year (Professions) (Business Review Weekly-Alcatel), and awarded an AO for services to public administration and a Centenary Medal for services to business.



Mara Bun, Director, Director of Enova Community

BA in Political Economy, Deans Honours List, Williams College Mass USA, GAICD

Mara has extensive senior executive experience ranging from CEO Green Cross Australia, Director Business Development CSIRO and Senior Equities Analyst covering Internet and eCommerce at Macquarie Bank, through to executive leadership roles at Greenpeace Australia, Choice, Allen Consulting Group, Canstar, and Morgan Stanley (NY and SF).

Mara's board experience includes: President Australian Conservation Foundation (current), Chairman of Gold Coast Waterways Authority (current), Australian Ethical Investment (current), Bush Heritage Australia, and the National Office for the Information Economy, and having served on multiple innovation strategy, ICT deregulation, banking reform and renewable energy advisory boards and policy reviews under the Federal, NSW, Victorian, Queensland and multiple local governments. For six years she served on the Advisory Council of NSW Sustainable Energy Development Authority (SEDA).

Mara brings technology transformation and big data expertise to Enova. She currently is a consultant leading Strategy and Development for Food Agility Cooperative Research Centre and is supporting a big data transformation strategy at Simba Global.



Mark Joiner, Director, Chair Audit & Risk Committee

MBA, Chartered Accountant

Mark brings tremendous depth of financial understanding to the Enova Board. He has had an outstanding international career in all the major markets. He qualified as a Chartered Accountant in the UK, and his positions have included global head of Corporate Development, Boston Consulting Group, Global Chief Financial Officer, Citigroup's wealth management division, and Executive Director Finance, NAB.

Mark also has outstanding environmental credentials. While at NAB Mark led the bank to become carbon neutral and championed its efforts to support the development of natural capital accounting concepts. NAB was one of the first major Australian companies to sign The Natural Capital Declaration ahead of the Rio Summit.

Mark is a regular speaker on sustainability related issues, including as a trainer of business executives at the Prince of Wales' Business & Sustainability Program each year, conducted in cooperation with Cambridge University. He is also a member of the Advisory Board of the Monash University Sustainability Institute and was a founding member and active supporter of Fauna and Flora International where he is a member of the Conservation Circle.



Robert Rosen, Director, Director of Enova Community

B Ec, in Accounting and Commercial Law, Cert Personal Investment, Cert Real Estate Practice

Robert played a pioneering role in development of the socially responsible investment industry in Australia and has had extensive financial and managerial experience across a number of businesses involved in public accounting, investment management and residential property investment, as well as being involved in a wide range of environmental initiatives over the last 38 years.

He has served on the boards of a number of organisations including: Bush Heritage Australia (Treasurer/Director), Nature Conservation Trust of NSW (Chairman/Director), Rainforest Rescue (Chairman/Director), Australian Ethical Investment Ltd, Responsible Investment Association Australasia, Permaculture College Australia and Pingala Co-operative Ltd.



John Taberner, Director

BA (Hons), MA (Hons), LLB Masters of Comparative Law (Environmental Law) George Washington University, Washington DC, USA

John, based in the Northern Rivers, is a Consultant to Herbert Smith Freehills' Sydney office where he was a partner for 20 years. He established the firm's National Environmental Group in 1989 and led it for many years. John is recognised as a leading environmental law practitioner with extensive experience in all the legal aspects of land-use planning, pollution control and contaminated land, and in the field of climate-change law.

His experience includes many years with large corporate transactions and large-scale urban infrastructure projects acting for both government and non-government clients. It also includes land use planning and environmental aspects, and greenhouse aspects, of large-scale power-plant and mining projects, and with land-decontamination projects acting for non-governmental clients. He also has extensive experience in relation to strategic climate change issues including 'carbon costs pass-through', carbon capture and storage, joint venture structuring, registration and reporting obligations, and 'carbon credit' acquisitions.

He has been Secretary of the National Environmental Law Association of Australia; a member of the Executive Committee of the International Bar Association's Committee on Environmental Law; a member of the Advisory Board of the Commonwealth Environment Protection Authority; and a member of the International Environmental Lawyers Network based in Washington DC.



Tony Pfeiffer, Managing Director

B Engineering (electrical), FIEA, CPEng, RPEQ, NPER, GAICD

Tony brings over 34 years' experience in the utilities sector to the company, as a senior executive in business strategy, economic management, operational management and business performance in Qld and South Australia in both Energy Retailing and Energy networks.

Prior to holding this position Tony was Executive General Manager Energy Services for Energy Queensland and Executive General Manager Retail, General Manager Effective Market Reform and Executive General Manager Asset Management for Ergon Energy.

In SA he led ETSA's readiness for the commencement of the National Electricity Market. In one of his roles in Ergon Energy, he was responsible for developing alternative business and operating models for Ergon Energy create a sustainable and viable network business into the future. Tony has been on the Board of Enova since its inception and was appointed MD on July 1 2017.

2.4.2 Our Management



Felicity Stening, Operations Manager

Felicity has over 20 years' experience in the energy and environment fields, across both government and private sectors. Most recently she was Commercial Manager at Jemena Gas networks, and prior to that Felicity has fulfilled roles as Head of Retail for Pooled Energy, Senior product Manager for Australian Power and Gas, National Business development Manager for Low Energy Supply Services, Program Officer and Manager with NSW Dept of Energy, Utilities and Sustainability.



Matt Davison, Chief Financial Officer

Matt is a CPA qualified accountant, with more than 15 years of experience across a broad range of sectors including finance, media and energy. His experience in energy retail spans over 5 years, most recently at Origin Energy as a Commercial Manager and Simply Energy as a Finance Manager.



Virpi Barrett, Wholesale Trading Manager

M Sc Environmental Technology of Energy Production, Cert Trader of Financial Electricity Market, Nordpool, Cert Trader of Physical Electricity Market, ELBAS&ELSPOT, Nordpool. Virpi is an experienced manager with over 10 years' experience working in management and coordination roles with energy consultancy and trading companies in Finland, Germany and Australia. Virpi's role with Enova is to manage the retailing interface with the wholesale market and ensure that Enova meets the compliance requirements in this industry.



Sandi Middleton, Manager, Enova Community Ltd (Not-for-Profit Arm)

Sandi has over 18 years of expertise in sustainability, leadership development, community engagement, strategic foresight, program design and delivery, professional coaching and organisational capacity building. She has a strong background in energy efficiency and behaviour change and is a dynamic and skilled operator across all sectors of community, NGO, government and business. Her recent positions include QLD Regional Leader of the National Energy Efficiency Network, NSW Regional Manager of the Centre for Sustainability Leadership, Byron Shire Council Sustainability Officer and Director of Sandi Middleton Consulting. Sandi is a Board Director for The Next Economy and With Nature organisations.



Mark Swivel, Company Secretary

BA LLB

Mark Swivel is an experienced lawyer and company director. He studied at Sydney University and has worked in Australia and the UK in senior roles in both law and finance. He currently has his own legal and consulting business. Admitted to practice in 1995 Mark has mainly worked in financial services law. He was a partner with Langes Lawyers (2003-6) and a director of Sydney Credit Union (2008-11). He has a long-standing commitment to micro-finance and is an ambassador for Good Return, a boutique NGO development agency. Mark obtained an AFSL for energy sector company Energy Action in 2010 and joined the Enova team in 2016.

2.4.3 Legal Or Disciplinary Actions

There have been and are no legal or disciplinary actions against any of our directors or senior managers.

2.5 Risks Facing The Business

There are a number of risks and threats, both specific to Enova, and of a general nature, which may either individually, or in combination, materially and adversely affect the future operating and financial performance of Enova and the value of Shares. Many of these risks are partially or completely outside the control of Enova, its Directors and management.

There can be no guarantee that Enova will deliver on its business strategy, or that any forward-looking statement contained in this Offer will be achieved or realised. Investors should note that past performance is not a reliable indicator of future performance.

Prospective investors should note that this is not an exhaustive list of the risks associated with an investment in Enova and should be considered in conjunction with other information disclosed in this Offer. Before applying for Shares, you should satisfy yourself that you have a sufficient understanding of these matters and should consider whether Shares are a suitable investment for you, having regard to your own investment objectives, financial circumstances and taxation position. Prospective investors should consider seeking professional guidance from their accountant, stockbroker or other independent professional adviser before deciding whether to invest.

This Section describes the areas that the Company believes to be the key risks associated with an investment in the Shares. The selection of risks has been based on an assessment of a combination of the probability of the risk occurring and the impact of the risk if it did occur.

The assessment is based on information as at the date of this CSF Offer document, but there is no guarantee or assurance that the importance of different risks will not change or other risks will not emerge.

Key Risks Of The Enova Business

Enova Shares are illiquid - Enova is not listed. There is a limited market for the trading of Shares and no guarantee the price of the Shares will be maintained or increase. There may be relatively few or even no potential buyers or sellers of the Shares at any given time. This may prevent investors from acquiring more Shares or disposing of Shares they acquire under the CSF Offer easily. However, a number of transactions at a value of \$1,000 have been completed each year since Enova commenced operations. A dedicated section of the Enova website for share exchange will be further developed following the CSF Offer.

Price of Shares may not reflect intrinsic value – There may be few people willing to buy your Shares and those people may only want to buy them from you at par value or a discounted price. There is no assurance that the Shares will increase in value after the CSF Offer. Enova provides a community notice board on its website for interested parties to express interest in purchasing or disposing of Shares. This will be further developed following the CSF Offer.

Cash flows and profitability depend on customer base - Enova needs to acquire and retain customers to achieve success. While we have met targets set in the initial Prospectus (4,500- 5,000 customers target after 2 years in operation, against 4,920 achieved at August 10 2018 with 4,622 being billed- average 2-month delay), customer acquisition is difficult, compounded by apathy and by government focusing attention on price as the key differential. It is open to churn resulting from aggressive discounting by our competitors and limited by scale (especially marketing spend).

Legal compliance and market regulations - Enova must comply with multiple regulatory requirements, so there is a risk of non-compliance. The directors are satisfied that these regulatory requirements are substantially known to our CEO, senior staff and industry advisers and are being managed effectively.

Service failures or disruptions – Any failures or disruptions to Enova’s trading and customer service platforms, which are third party supplied, may cause problems for customers. This may generate complaints that are costly to manage, and some customers may leave Enova. Any significant customer service problems may cause longer term reputational harm and greater difficulty in recruiting and retaining customers.

Failure of billing and customer operations – service errors resulting from growing too quickly, not being able to answer phones or respond to customers in a timely manner is a risk which Enova will seek to manage by taking on customers in an orderly manner and monitoring processes closely for signs of system/ billing issues or customer service issues. If detected these may require short-term additional unbudgeted resources.

Enova may lose key personnel - Enova has a small team of industry experts and if any member of our leadership group leaves, we need to attract replacements from the region. There is a risk that suitable replacements may not be found locally or persuaded to move to the region for the role with Enova, especially since our salaries are unlikely to match those offered by competitors.

Many positions can be managed remotely short term until replacements can be found. Enova has already encountered and managed this risk effectively (e.g. founding CEO Steve Harris was replaced by Managing Director Tony Pfeiffer).

Enova’s reputation may be harmed - If Enova’s services or products do not perform as promised or are found to be non-compliant with our strong environmental and community ethic, our reputation will be harmed. This risk is managed through our strong local network which is supported through local ownership, management and board representation.

Enova intends to establish a customer consultative panel in addition to using social media and the community noticeboard on our website, to ensure understanding of community attitudes.

Enova faces significant competition - Enova faces competition from large energy retailers (Origin Energy and AGL in particular) and other new entrants who have marketed their services to local environmentally-minded customers.

Enova supports Australian generated renewable energy which the directors believe is a more environmentally beneficial approach that we believe our customers will value. Enova has also experienced competition from retailers doing door-knocking campaigns in the Northern Rivers region.

Enova’s competitors may make aggressive counter offers - If our competitors make aggressive discounted counter offers to our customers, it is likely that such offers will only apply for the near term as is typical in “churn” models of competition in retail energy.

Enova will endeavour to educate its customers about the value of having an enduring retail value proposition and strong environmental outcomes rather than short-term discounts that need to be regularly renegotiated.

Enova’s wholesale energy costs may increase – As the box below further explains, Enova has been exposed to a 126% increase in electricity spot prices between 2014/15 and 2017/18 and this has translated into a need for Enova to double the number of customers required for Enova to achieve profitability. Going forward, considerable public scrutiny of excessive profits achieved by Generators and large Gentailers from wholesale price spikes will mitigate this increase recurring, but it remains a risk to Enova. Enova may use its PPA and hedging facility to mitigate exposure to this risk. Enova is currently partially hedged for this exposure and is negotiating a PPA to further mitigate risk.

History And Impact Of Electricity Spot Price Volatility

During 2014/15 as Enova was developing its business plan in support of its initial Prospectus, the volume weighted annual average spot electricity prices for New South Wales was \$36 per megawatt hour.

Enova's plan disclosed in its prospectus dated 18 August 2015 called for acquisition of 5,000 customers by mid 2018 to achieve financial profitability.

NSW electricity spot prices increased to \$54 per megawatt hour during 2015/16 as Enova opened for customers during 2016, and further increased to an average of \$88 per megawatt hours as Enova scaled its business during 2016/17.

NSW Spot prices stabilised at \$85 per megawatt hour over 2017/18. The 126% increase in electricity spot prices which Enova was exposed to between 2014/15 and 2017/18 has translated into a need for Enova to double the number of customers required for Enova to achieve profitability.

Going forward, public scrutiny of excessive profits achieved by Generators and large Gentailers from wholesale price spikes will mitigate this increase recurring, but Enova remains exposed to risk. Enova's PPA under negotiation and hedging practices mitigate exposure to this risk.

More About The Volatile Electricity Market

Australia's volatile energy market has held Enova back since the company was formed in 2015. Enova Directors manage the risk of wholesale pricing volatility with focused attention. Below we discuss energy market volatility further.

Since Enova began trading in 2016, the Australian electricity market has become increasingly volatile, unpredictable and politicised. Over 2016-17 we have seen an effective doubling of the wholesale cost of electricity, while industry profitability moved from retailing into generation.

Volatility has hampered the progress of the Enova business, despite our achievements in establishing the operation and building the Enova customer base to nearly 5,000 customers as of July 2018, consistent with the business plan that underpinned Enova's 2015 retail prospectus.

Supply issues in South Australia and Victoria, the impacts of heatwaves and severe storms, and high domestic gas prices resulted in pressure on Government to revise industry policy and for major players to adjust their pricing. The big 3 retailers AGL, Energy Australia and Origin Energy, control over 90% of the retail market share in NSW and have maintained their dominant and profitable market position because they are integrated "Gentailers" and own the bulk of generation capacity (ACCC, Retail Electricity Pricing Enquiry, p.7, October 2017).

This means that when wholesale market prices spike upwards the Gentailers remain highly profitable even if the profit margin of the retail side of their businesses decrease with energy cost increases. They maintain high levels of profitability by shifting profits from the retail side of the value chain to the generation side.

Small retailers who are not fully integrated generators as well must buy through the wholesale market and can only protect themselves against price volatility by buying hedges. Lack of scale keeps hedge prices high and this keeps customer prices higher than they would otherwise be.

Enova is seeking partners to enable us to buy into well-priced PPAs to improve our competitiveness against Gentailers and for our customers. Enova has also been seeking ACCC and Government support to enable the purchase of fair priced hedges by small retailers.

The impact of the National Energy Guarantee (NEG) will remain unclear for some time but is likely to continue to favour the market strength of Gentailers by protecting fossil fuel generation and removing incentives (post 2020) for any other than retailers to build more renewable generation. Investors must be mindful of the wide range of outcomes the next one to two years might bring, and the relatively modest ability of a small retailer like Enova to influence those outcomes.

Enova can, however, influence the number of new customers; pursue physical and financial hedges to mitigate risk of energy price spikes; and work with communities to deliver genuine alternatives.

2.6 Financial Information

2.6.1 Financial Statements

Audited financial information for 2017 is provided below alongside unaudited accounts for the 2018 year (Enova's audit is underway at the time this Offer Document is being drafted).

Enova Community Energy Limited

ABN 53 606 006 731

Consolidated Statement of Profit or Loss & Other Comprehensive Income

For The Year Ended 30 June

	Updated Unaudited 2018 \$	Audited 2017 \$	Audited 2016 \$
Revenue & Other Income	5,448,581	1,611,115	57,870
Cost of Goods Sold	-4,318,613	-1,349,205	-17,801
Employee Benefits Expense	-1,025,322	-863,177	-309,836
Depreciation & Amortisation Expense	-31,998	-20,779	-3,290
Other Expenses	-871,598	-876,256	-590,065
Finance Costs	-17,455	-7,684	-2,712
Profit/(Loss) Before Income Tax	-816,405	-1,505,986	-865,834
Income Tax Expense	-	-	-
Net Profit/(Loss) For The Year	-816,405	-1,505,986	-865,834
Gross Profit %	21%	16%	

Enova Community Energy Limited

ABN 53 606 006 731

Consolidated Statement of Financial Position

As At 30 June

ASSETS	Updated Unaudited 2018 \$	2017 \$	2016 \$
Current Assets			
Cash & Cash Equivalents	66,036	513,670	406,110
Trade & Other Receivables	1,612,230	677,573	59,607
Inventories	-	-	6,604
Other Financial Assets	394,146	1,021,468	2,404,811
Other Assets	21,411	28,933	27,839
Total Current Assets	2,093,823	2,241,644	2,904,971
Non-Current Assets			
Trade & Other Receivables	3,817	11,277	-
Property, Plant & Equipment	60,641	51,435	68,510
Intangible Assets	472,687	188,881	149,243
Total Non-Current Assets	537,145	251,593	217,753
Total Assets	2,630,968	2,493,237	3,122,724
LIABILITIES			
Current Liabilities			
Trade & Other Payables	1,368,081	828,068	130,333
Borrowings	139,421	9,300	-
Short-Term Provisions	66,268	52,824	18,642
Other Financial Liabilities	110,496	-	-
Other Liabilities	262,812	98,843	-
Total Current Liabilities	1,947,078	989,035	148,975
Non-Current Liabilities			
Borrowings	19,998	29,423	-
Long-Term Provisions	16,916	11,398	4,382
Total Non-Current Liabilities	36,914	40,821	4,382
Total Liabilities	1,983,992	1,029,856	153,357
NET Assets	646,976	1,463,381	2,969,367
EQUITY			
Issued Capital	3,867,611	3,867,611	3,867,611
Accumulated Losses	-3,220,635	-2,404,230	-898,244
Total Equity	646,976	1,463,381	2,969,367

Enova Community Energy Limited

ABN 53 606 006 731

Consolidated Statement of Changes in Equity

For The Year Ended 30 June

2018 (UPDATED UNAUDITED)	Issued Capital \$	Accumulated Losses \$	Total \$
Balance at 1 July 2017	3,867,611	-2,404,230	1,463,381
Net Profit/(Loss) For The Year		-816,405	-816,405
Balance At 30 June 2018	3,867,611	-3,220,635	646,976

2017 (AUDITED)	Issued Capital \$	Accumulated Losses \$	Total \$
Balance at 1 July 2016	3,867,611	-898,244	2,969,367
Net Profit/(Loss) For The Year		-1,505,986	-1,505,986
Balance At 30 June 2017		-2,404,230	1,463,381

2016 (AUDITED)	Issued Capital \$	Accumulated Losses \$	Total \$
Balance at 1 July 2015	35,000	-32,410	2,590
Net Profit/(Loss) For The Year	-	-865,834	-865,834
<i>Shares Issued During The Year</i>	3,965,000	-	3,965,000
<i>Expenses Related To Share Issue (Net Of Tax)</i>	-132,389	-	-132,389
Balance At 30 June 2016	3,867,611	-898,244	2,969,367

Enova Community Energy Limited

ABN 53 606 006 731

Consolidated Statement of Cash Flows

For The Year Ended 30 June

Cash Flows From Operating Activities:	Updated Unaudited 2018 \$	Audited 2017 \$	Audited 2016 \$
Receipts From Customers	4,506,330	-1,079,897	-
Payments To Suppliers & Employees	-5,374,571	-2,401,075	-838,277
Interest Received	15,054	55,798	-
Finance Costs	-17,455	-7,684	-2,712
Receipt From Government Grants	-	1,900	3,800
Other Receipts	-	-	29,141
Net Cash Used In Operating Activities	-870,642	-1,271,164	-808,048
Cash Flows From Investing Activities:	Updated Unaudited 2018 \$	Audited 2017 \$	Audited 2016 \$
Purchase Of Property, Plant & Equipment	-23,368	-	-71,800
Purchase Of Intangible Assets	-301,642	-43,342	-149,243
Net Cash Used By Investing Activities	-325,010	-43,342	-221,043
Cash Flows From Financing Activities:	Updated Unaudited 2018 \$	Audited 2017 \$	Audited 2016 \$
Proceeds From Issue Of Shared	-	-	3,965,000
(Repayment of)/ Proceeds From Loans - Non-related Entities	120,696	38,723	-20,000
Investment In Financial Assets	-	-16,657	-2,400,000
Payment For Cost Of Share Issue	-	-	-132,389
Sale / Redemption Of Financial Assets	627,322	1,400,000	-
Repayment Of Loans - Related Entities	-	-	-5,000
Net Cash Used By Financing Activities	748,018	1,422,066	1,407,611
Net Increase / (Decrease) In Cash & Cash Equivalents Held	-447,634	107,560	378,520
Cash & Cash Equivalents At Beginning Of Year	513,670	406,110	27,590
Cash & Cash Equivalents At End Of Financial Year	66,036	513,670	406,110

2.6.2 Financial Considerations

As previously stated, under prevailing market conditions at its initial capital funding, Enova has already attained the customer penetration that was sufficient to bring it to break even profitability.

However, the subsequent adverse industry shift from retail margins to wholesale margins brought about in part by the failure of Government energy policy and supply uncertainties, has meant that the company needs approximately double the customer penetration to achieve its breakeven. While that is disappointing, at current growth rates and with planned efforts likely to accelerate customer acquisition, there is good reason to believe that breakeven numbers can be attained over the next twelve months.

The Directors are of the view that attaining this important interim goal will be dependent upon four factors:

1. The extension of the company's operations into new markets, initially the major metropolitan centres of NSW, in order to generate more customer leads. The directors are already aware that there is latent demand for Enova as an energy retailer in these markets, given the uniqueness of its value proposition and frustration with the attitudes and behaviours of the energy majors;
2. The hiring of more sales staff and the support of marketing spend that will allow more penetration and lead generation in all markets, and their subsequent conversion;
3. The negotiation of a fixed Power Purchase Agreement (PPA) that will lower the wholesale cost of energy for much of the company's current volume as compared to current wholesale prices, bringing an improvement in the gross margin achieved and enabling a more strongly competitive product offering;
4. The raising of sufficient capital to allow the time for this growth to be achieved. The Directors estimate that a minimum of \$2million will be required and it is intended that be achieved through a combination of this CSF Offer, similar equity offers through other channels, and the provision of some debt capacity by a small number of existing shareholders.

Directors have provided a twelve-month projection that reflects these assumptions, most materially the customer acquisition and gross margin assumptions.

Directors have ensured that all material assumptions including implied assumptions are reasonable.

Importantly, while Enova will likely still record an aggregate loss in FY19 on this basis, it is our estimate that the Company will have attained a break-even level of profitability in the last June quarter of the 2018/19 financial year and can then more reliably expect to go on and grow its profitability from that point.

Customer Growth Projections

Enova’s 12-month projected financial results (see Table 6 on the following page) are based on achieving customer growth targets outlined below for the 2018/19 financial year. In Graph 1 below Directors offer indicative customer acquisition plans for the following financial year based on reasonable assumptions of continued market penetration.

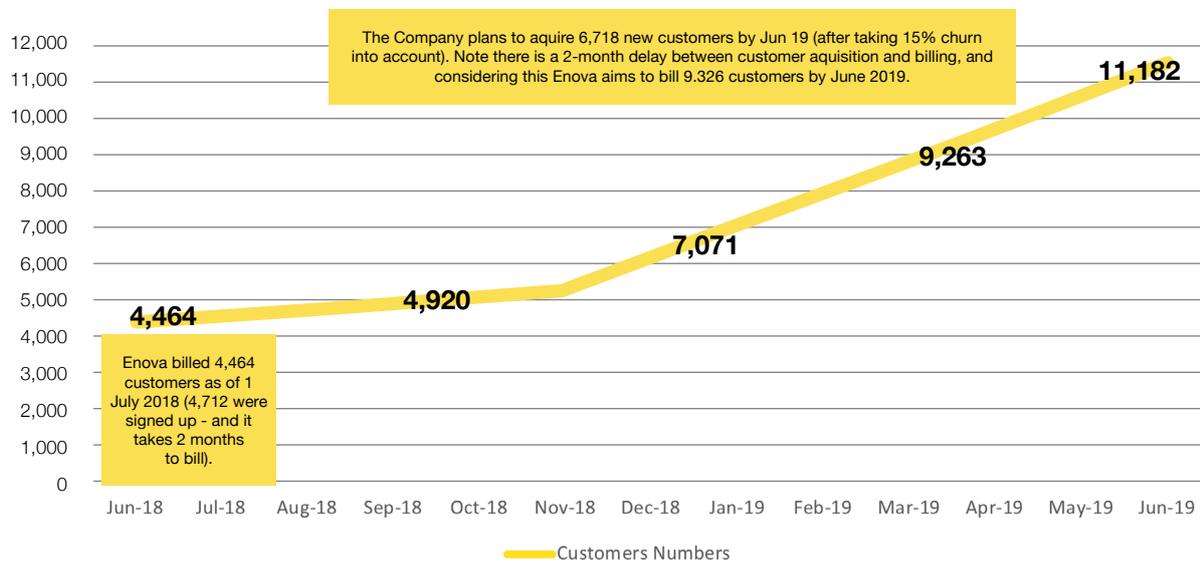
Enova has 4,622 customers being billed (with 4,920 signed up to be billed given standard delay from acquisition to billing), based largely in the Northern Rivers region as of 10 August 2018.

The growth rate further assumes 2,000 new customers will result from the investors in this crowdfunding offer.

The proceeds of this CSF capital raising will be invested in marketing, sales and working capital to support this plan as outlined in Section 3.2.

Graph 1 – Enova customer acquisition plan

Enova Community Energy Customer Projections



Enova’s customer acquisition plan is based on two years of experience with marketing metrics that underpin customer acquisition and revenue per customer in the Northern Rivers region. Prudent estimates are assumed for acquisition of customers in new regions.

The marketing campaign underpinning this plan aims to further penetrate the existing Northern Rivers market and broaden Enova’s customer base across cities and regions of New South Wales and Southeast Queensland. Directors have formed the view that the response rates assumed in the plan are comparable to those historically achieved assuming the Company is able to further invest in sales, marketing and other investments associated with customer growth as outlined in Section 2.2.2.

The growth rate further assumes 2,000 new customers will result from the investors in this crowdfunding offer.

12 Month Projected Financial Results

Projections for the 2018/19 financial year are provided in Table 6 below. As discussed previously, the Company is expected to have attained profitability during the final quarter of the June 2019 financial year.

Table 6 – Enova 12-month Financial Projection & Historical Results

Enova Financial History & Projections				
By Fiscal Year	Phase 1			Phase 2
	Audited	Audited	Updated Unaudited	Projected (1)
\$ '000	FY16 Ended June 16	FY17 Ended June 17	FY18 Ended June 18	FY19 Ended June 19
Revenue (2)	58	1,611	5,449	11,031
COGS	18	1,349	4,319	8,471
Gross Margin	40	262	1,130	2,560
Operating Costs				
Employee Costs	310	863	1,025	1,687
Marketing Costs	99	94	142	513
IT Costs	116	335	258	215
Other (Excl. Depreciation & Int. Inc.)	378	504	370	469
Total Operating Costs (3)	903	1,797	1,795	2,884
EBITDA (4)	-863	-1,535	-665	-324
Key Metrics				
Customer Numbers (5)	43	2,468	4,464	11,182
Gross Margin %	69%	16%	21%	23%
EBITDA %	-1,490%	-95%	12%	-3%
Revenue / Cust	789	1,109	1,563	1,511
Margin / Cust	164	218	322	348
	New Customers	2,425	1,996	6,717

Notes:

(1) These projections are dependent on the four factors outlined in 2.6.2 (p.34)

(2) Sales commenced 30 May 2016. Note there is a delay of approximately 2 months between customer sign-up and billing.

(3) The Total Opex does not agree to the Financial Statements due to adjustments for Interest Income and Fair Value accounting of Financial Instruments.

(4) Based on assumptions for which Directors believe there are reasonable grounds, Enova is projected to break even during the quarter ended June 2019.

(5) Enova's first 1,100 shareholders became customers fuelling 2017 customer growth. The Directors believe that Enova will convert some of the new shareholders subscribing under this Offer into customers starting from November 2018 following the Board's experience after the first capital raising.

Please note that Directors believe \$2m in additional capital is required to achieve the customer and revenue growth outlined in the table above.

Additional capital raised would be reinvested back into customer acquisition and servicing, improved technology and software, and working capital.

2.7 Competitor Comparison



POWER PROVIDERS - HOW THEY STACK UP

	AGL ENERGY	DIAMOND ENERGY	ENERGY AUSTRALIA	ENERGY LOCALS	ENOVA ENERGY	MOMENTUM	ORIGIN ENERGY	POWERSHOP	RED ENERGY
THE POWER MIX									
100% OF ENERGY GENERATED IS RENEWABLE	X	✓	X	(NA)	✓	X	X	✓	X
NEW RENEWABLE ENERGY INVESTMENT IN THE LAST 3 YEARS	✓	✓	✓	X	✓	X	X	✓	X
NO DIRECT CSG INVESTMENT	X	✓	✓	✓	✓	✓	X	✓	✓
WHO BENEFITS									
COMMUNITY OWNED	X	X	X	X	✓	X	X	X	X
LOCAL TO NORTHERN RIVERS	X	X (USA)	X (HK)	X	✓	X	X	X (NZ)	X
REPOWER RECOMMENDATION									
ANY PLAN	X	★	X	★	★	★	X	★	★
WITH 100% GREEN POWER PLAN*	X	★	X	★	★	★	X	★	★

NA=Do not currently generate electricity. *Accredited green power only as outlined on
Compiled by COREM. Sourced from Ethical Switch website Nov 2017

www.greenpower.gov.au

Directors note a recent Crowdsourced funding campaign raised \$2.2m in equity for a new entrant named DCPower which has yet to secure a retail energy license and therefore is not currently operational in the energy market. We note DCPower had a Pre-Money valuation of \$20.05m leading into its crowdfunding campaign which compares to a Pre-Money valuation of \$5million for Enova, noting also the social enterprise nature of Enova's community ownership and community profit sharing model.

Section Three:

Information About The CSF Offer

3.1 Terms Of The Offer

The Company is offering up to 3,000,000 Shares at an issue price of \$1.00 per share to raise up to \$3,000,000. The key terms and conditions of the Crowd-sourced Funding (CSF) Offer are set out in Table 7 below.

Table 7: Terms Of The Offer

Term	Details
Shares	Fully-Paid Ordinary Shares
Price	\$1.00 Per Share Minimum purchase 100 shares
Minimum Aggregate CSF Offer Subscription	\$600,000
Maximum Aggregate CSF Offer Subscription	\$3,000,000
Opening Date	20 August 2018
Closing Date	17 November 2018

A description of the rights associated with the Shares is set out in Section 3.3 below. The Intermediary's website provides instructions on how to apply for shares under the CSF Offer.

The Intermediary must close the CSF Offer early in certain circumstances. For example, if the Maximum Subscription is reached, the CSF Offer must be closed. If the Minimum Subscription is not reached or the Offer is closed but not completed, you will be refunded your application money.

Investors may withdraw their application during the Cooling-off Period. Further information on investor cooling-off rights can be found in Section 4 of this CSF Offer document.

The CSF Offer is not underwritten.

3.2 Use Of Funds

Table 8 below sets out the intended use of funds raised under this CSF Offer based on the Minimum and Maximum subscription amounts.

Table 8: Use Of Funds

Term	Year 1: Minimum Subscription	Year 1: Maximum Subscription	Year 2: Minimum Subscription	Year 2: Maximum Subscription
Sales & Marketing	\$200,000	\$600,000	Nil	\$400,000
Billing System Optimisation	Nil	\$150,000	Nil	Nil
Sales & Operational FTE	\$100,000	\$300,000	Nil	Nil
Support FTE	Nil	\$150,000	Nil	Nil
Working Capital	\$258,000	\$750,000	Nil	\$440,000
Offer Costs	\$47,000	\$215,000	Nil	Nil
Total Funds	\$600,000	\$2,160,000	Nil	\$840,000

In Table 8, 'working capital' includes overhead expenses, employee wages and director remuneration. Details of payments to be made to directors and senior managers are itemised below:

- Directors' remuneration: \$0.00. The directors have resolved to draw no fees until the company breaks even.
- Senior manager remuneration: \$460,000
- The costs of the CSF Offer include the Intermediary's fees under the hosting agreement between the Company and the Intermediary. These fees are \$5,000 plus and 7% of capital raised.

Other than as specified above, no other payments from the funds raised will be paid (directly or indirectly) to related parties, controlling shareholders, or any other persons involved in promoting or marketing the CSF Offer.

We expect that the Maximum Subscription amount will be sufficient to meet the Company's short-term objectives over the next 24 months.

If only the Minimum Subscription amount is raised, the Company will require further funding to be able to carry out our intended activities over the next 12–18 months. In such circumstances, the Company may consider undertaking a further crowd-sourced funding (CSF) offer under the CSF regime, or through other means. Until additional funding is obtained, we will scale back sales and marketing but continue to focus strongly on strategies delivering strongest growth in customer numbers.

3.3 Rights Associated With The Shares

Ordinary Shares:

Immediately after issue under this Offer, the Ordinary shares will be fully-paid shares. There will be no liability on the part of shareholders and the shares will rank equally with the shares currently on issue.

Ordinary Shares - Under clause 3.1 of the Constitution the Directors have the right to issue shares or grant options over unissued shares to any person and they may do so at such times as they think fit based on the conditions and the issue price they think fit. Such shares may have preferred, deferred or other special rights or special restrictions about dividends, voting, return of capital or otherwise, as the Directors think fit.

The Board has resolved to issue the Ordinary shares under this Offer with the same rights and conditions as those of the existing Class A Shares as summarised below. It should be noted that with reference to voting, only the first 5,000 shares of any one shareholder are classified as voting shares. A Provision to limit voting shares was put in place under the original Constitution to restrict the potential for large shareholders to unduly influence a community-based organisation.

The Board has also unanimously resolved and has advised existing shareholders that a Special General Meeting will be held to seek approval to modify the Constitution to clarify arrangements ensuing from the Share Replacement and the Ordinary shares under this CSF Offer. The date of this shareholder meeting will be prior to the close of this Offer (Special General Meeting).

Allocation - The Board intends to allocate the Ordinary shares at the close of the offer. Should the offer be closed earlier than the advertised date (17 November 2018) because it is fully subscribed then the allocation will not be made until after the date of the Special General Meeting. The Board will ensure that the Community Ownership test is complied with in the allocation. If necessary the board reserves the right to scale back allotment on a proportional basis.

Class A Shares - These are the shares held by shareholders who initially subscribed to Enova under the Prospectus of August 2015. These shares are divided into Voting and Non-Voting Shares as described below (Voting Rights).

Voting Rights - At a general meeting, and on a poll, and in order to reflect the Share Replacement, every member present in person or by proxy, attorney or representative, has one vote for each 1,000 shares held (up to the maximum of 5,000 shares) and 1 vote for each 1,000 shares held by the member represented by a valid proxy. If 2 or more persons are joint holders of a share, any 1 of the joint holders present at the meeting may vote as if that joint holder were solely entitled to the share. If more than 1 of the joint holders are present at a meeting, the joint holder named first in the register of members in respect of the share will be entitled to vote, to the exclusion of the others. The maximum number of voting shares per shareholder that may be held is 5,000. All other shares are classed as non-voting shares. A special resolution requiring members representing at least 90% of all voting shares would be required to change this provision of the Constitution. It is not intended to change this voting structure, which has been put in place to limit the potential for large shareholders to unduly influence a community organisation such as Enova.

Dividends - Subject to any special terms and conditions of issue, the amount which the Directors from time to time determine to distribute by way of dividend are divisible among the members in proportion to the number of paid up Shares held by them (be they Class A Shares, Preference Shares or Ordinary Shares). In accordance with clause 19.1 of the Constitution, note that profits will be split 50:50 between Enova's not-for-profit subsidiary company and all Enova shareholders. In accordance with clause 19.1 of the Constitution Preference Shares may also require dividends and principal redemption to be paid to preference shareholders before dividends are paid on ordinary shares.

Variation of class rights - Subject to the Corporations Act, the rights attached to any class of shares may, unless their terms of issue state otherwise, be varied: with the written consent of the holders of 75% of the shares of the class; or by a special resolution passed at a separate meeting of the holders of shares of the class.

Community Ownership - Our Constitution under clauses 2.2(3)(a) and 4.2(b) provides that the majority of shares must be owned by community members resident in the Northern Rivers of New South Wales. This is defined as an individual corporation or partnership with its principal place of residence or business within the postcode areas of 2460 to 2490 inclusive. The Constitution contains provisions that a special resolution requiring members representing at least 90% of all voting shares would be required to change this provision. At present 70% of 4,000 shares (pre the Share Replacement) are community owned and 74% of voting shares are community owned.

Following the CSF Offer and the Share Replacement there will be 5,000,000 A class shares. The Board has also resolved to present a resolution to the Special General Meeting that the term "majority owned" be replaced by "majority controlled" in clauses 2.2(3)(a) and 4.2(b) of the Constitution.

Transfer of shares - Subject to the Constitution, the Corporations Act and to the rights or restrictions attached to any shares or class of shares, holders of Shares may transfer them by a proper transfer effected an instrument in writing in any usual form or in any other form that the Directors approve. The Directors may decline to register a transfer of Shares for reasons including where the transfer is not in registrable form or where the refusal to register the transfer is otherwise permitted. If the Directors decline to register a transfer, the Company must give the party lodging the transfer written notice of the refusal and the reason for refusal. A transfer which the board refuses to register must (except in the case of fraud) be returned to the person who deposited it with Enova, if requested by that person.

General meetings and notices - Subject to our Constitution and to the rights or restrictions attached to any shares or class of shares, each member is entitled to receive notice of and, except in certain circumstances, to attend and vote provided that 1000 shares are held at general meetings of the Company and receive all financial statements, notices and other documents required to be sent to members under our Constitution or the Corporations Act.

Winding-up - Subject to any special or preferential rights attaching to any class or classes of shares, the Constitution and the Corporations Act, members will be entitled in a winding up to share in any surplus assets of the Company in proportion to the shares held by them, irrespective of the amounts paid or credited as paid on the shares. However, for the purpose of calculating any surplus assets any amount unpaid on shares is to be treated as the property of Enova.

Directors – appointment and removal - The minimum number of Directors is five and the maximum is 9 plus a managing director. There are presently 6 including the managing director. The first directors of Enova will hold office for a term of 3 years. Thereafter they shall retire on a rotational basis. Two directors shall retire each year, commencing from the third annual general meeting, due to occur in 2018, when the two retiring directors will be elected by ballot from the first directors, and the same process shall occur at the fourth annual general meeting. At subsequent annual general meetings the retiring directors are those who were the two earliest appointed directors. Directors will then be elected at annual general meetings of the Company. A retiring Director will be eligible for re- election if endorsed by the Board, provided that no director shall serve more than two consecutive terms, unless the Board resolves otherwise. The Directors may also appoint a Director to fill a casual vacancy.

Shareholders may vote to elect and remove directors at a general meeting by way of ordinary resolution (50%).

Directors' remuneration - The Directors, other than the Executive Directors, are entitled to be paid by such Directors' fees as the Directors decide, provided that the total fees payable does not exceed the maximum aggregate sum approved from time to time by Shareholders in general meeting. The Constitution allows the Company to pay all expenses of Directors in attending meetings and carrying out their duties and additional fees for extra services. Any change to that maximum aggregate sum needs to be approved by Shareholders. At present Directors have resolved that as from 1st January 2018 that they will not draw fees other than expenses until the Company has reached breakeven.

Alteration of share capital and preference shares - Subject to the Constitution and the Corporations Act, the Company may alter its share capital. The Company may issue preference shares including preference shares which are liable to be redeemed or convertible to ordinary shares. The rights attaching to preference shares are those set out in the Constitution. Some preference shares have been issued by the Company.

Variation of the Constitution - The Constitution can only be amended by a special resolution passed by at least three quarters of members present and voting at a general meeting of the Company. The Company must give at least 28 days' written notice of its intention to propose a resolution as a special resolution. In relation to the primary objects of Enova (rule 2.2), the maximum and minimum shareholdings (rule 4.1 and 4.2) and voting rights (rule 14.14) amendment can only be made by a special resolution passed by at least 90% of all the voting shares held by members present and voting at a meeting called to consider and vote on the special resolution.

Share buy-backs - The Company may buy back shares in accordance with the provisions of the Corporations Act.

Details of previous CSF offers

There have been no previous CSF offers.

Section Four:

Information About Investor Rights

4.1 Cooling-Off Rights

You have the right to withdraw your application under this Offer and to be repaid your application money. If you wish to withdraw your application for any reason (including if you change your mind about investing in the Company), you must do so within five business days of making your application (the Cooling-off Period).

You must withdraw your application via the Intermediary's platform as follows:

1. Log on to the Crowd88 platform
2. Go to your profile page and click on My Investments
3. Click the withdrawal button shown against your investment. Note: the withdrawal button will only display for five business days following your application

If you have any questions regarding the process to withdraw your application please contact Crowd88 via email (info@crowd88.com)

After your withdrawal has been processed, the Intermediary will refund the application money to your nominated account as soon as practicable.

4.2 Effect Of The Corporate Governance Concessions

4.2.1 Annual General Meetings

As an existing public company, the corporate governance concessions relating to CSF have no effect. The Company holds an annual general meeting (AGM) of which all shareholders receive notice. Shareholders have the right to attend and question the directors and management in an open forum about the management, business operations, financial position and performance of the Company.

Only those shareholders holding the equivalent of \$1000 in Ordinary shares will be entitled to vote. Each \$1000 in Ordinary shares entitles the shareholder to vote up to a maximum of 5 votes. After that number shares are classed as non-voting shares.

4.2.2 Annual Report

The Company is required to prepare audited biannual financial reports and directors' reports each year and lodge these with ASIC. The Company has a 30 June year end and its year-end financial report must be lodged by 31 October each year.

4.2.3 Distribution Of Annual Report

The Company provides access to the Annual Report online at the time of notifying shareholders by email of the AGM.

4.3 Communication Facility For The Offer

You can ask questions about the CSF Offer on the communication facility available on the Intermediary's platform. You can also use the communication facility to communicate with other investors, with the Company and with the Intermediary about this CSF Offer.

You will be able to post comments and questions about the CSF Offer and see the posts of other investors on the communication facility. The Company and/or the Intermediary will also be able to respond to questions and comments posted by investors.

Officers, employees or agents of the Company, and related parties or associates of the Company or the Intermediary, may participate in the facility and must clearly disclose their relationship to the Company and/or Intermediary when making posts on the facility.

Any comments made in good faith on the communication facility are not subject to the advertising restrictions in the Corporations Act.

Glossary

ACCC Australian Competition and Consumer Commission

AEMO Australian Energy market Operator

AER Australian Energy Regulator

AFSL Australian Financial Services Licence

ASIC Australian Securities and Investments Commission

Company or Enova means Enova Community Energy Limited ACN 606 006 731

Constitution the constitution of the Company

Cooling-off Period means the period ending five business days after an application is made under this CSF Offer, during which an investor has a right to withdraw their application and be repaid their application money

Corporations Act *Corporations Act 2001 (Cth)*

CSF means crowd-sourced funding under Part 6D.3A of the Corporations Act

FY the financial year ended/ending 30 June

GreenPower electricity comprised of high quality, accredited Australian generated renewable energy

Intermediary means Crowd88 Limited, AFSL 507 867

Maximum Subscription means the amount specified in this CSF offer document as the maximum amount sought to be raised by the Offer

Minimum Subscription means the amount specified in this CSF offer document as the minimum amount sought to be raised by the Offer

Northern Rivers Region includes the seven local government areas from Grafton in the south to the Tweed in the north with postcodes from 2460 to 2490 inclusive

Offer means an offer of fully-paid ordinary shares by the Company under this CSF offer document

Electricity Industry Snapshot - Appendix A

Supply Chain Sectors. The energy supply chain in Australia includes:

- Generation: electricity is generated at power plants, predominantly using fossil fuels (83% 2016-17) with a small proportion from renewable energy;
- Transmission & Distribution Network Services: moving the energy from its generation sources to end users' premises; and
- Retail services: customer service, billing and managing price risk for end users. Enova operates in this sector of the market.

Market Dynamics. Currently, the retail sector of the market is dominated in NSW and nationally by three large companies, Origin Energy, AGL and Energy Australia. In the Northern Rivers Region, Origin Energy has dominant market share. The industry is changing rapidly. The directors believe that consumers are moving to cleaner renewable energy. Burning fossil fuels to generate electricity account for a third of Australia's carbon emissions. It is the single biggest contributor of Australia's greenhouse gases.

Drivers of Change. The cost of solar PV systems dropped dramatically over the last decade making it affordable for the average home to generate energy to meet some of their electricity needs. Almost 30% of households in the Northern Rivers Region have installed solar generation. Rapid advances in battery storage technology should result in many households storing excess power to be used at night or during peak pricing times.

Community Models. In Europe and North America, citizens are responding to climatic and technology changes by creating community-based energy models that are responsive to local preferences and environmental values. In Australia, Enova Community Energy is the first community owned renewable energy retailer dedicated to offering tailored energy solutions. Enova is establishing a commercially viable model that can be replicated in other communities across Australia.

Market Scope. The Northern Rivers Region covers seven Local Government Areas from Grafton in the south to the Tweed in the north: a population of almost 300,000 living in 130,000 homes. There are also some 2,628 small/medium businesses in the region employing 5 or more people. Many Northern Rivers residents value the environment they live in. The region has the highest penetration of solar PV in NSW, with almost 30% of homes having PV systems and/or solar hot water. The region is also known for its strong sense of community and an overall environment in which being "green" is just the way life is lived. Enova estimates that the environmentally aware market is at least 26,000 customers, so we still have substantial growth potential to explore in the regional market. Origin Energy in marketing GreenPower found that around 22% customers elected to purchase GreenPower across the community; and the uptake of solar PV in the region is already at 28.8%.

Competition. There are 24 retailers offering contracts to residential customers in NSW. (2017) Three vertically integrated energy companies, AGL, Energy Australia and Origin Energy together have 87% of the NSW market. The balance are second tier generator/retailers and privately-owned companies.

The major retailers rely on discounting to retain customers and protect market share. Among newer entrants to the market, Red Energy and Powershop appear to target the green segment of the market, while Dodo has introduced bundling of services with telecommunications. Origin Energy is Australia's largest retailer with over 4.3m electricity and gas customers across the east coast with 1.2m electricity customers in NSW, for a market share of 34%. Since finalising the sale of the Country Energy Retail business in 2011, Origin has become the dominant retailer in our region.

Other retailers have offers in this region, but most customers have stayed with Origin. While the smaller new entrants offer green energy options and target the environmentally aware and motivated, they are not locally based; they do not offer the same level of community return; and they do not offer the same level of support for distributed, decentralised or community owned generation.

Consumer Perceptions. Consumers do not have high levels of understanding of the cost components behind electricity pricing. Many are not aware of the components of generation, distribution and retail that make up the industry or how retail pricing is determined. But consumers are very aware of recent large electricity price increases and feel aggrieved towards the retailers who they blame for these increases. Many who have taken up solar also believe they are not receiving fair prices for the power they generate.

Scale advantages. Large energy companies can attract customers with short-term discounts, e.g. for 12 months. Enova educates prospective customers about the short-term nature of discounts offered by competitors. Enova does not compete on price alone but a total value proposition for consumers including support for renewable energy generation and community development.

Confusing Offers. Competitor pricing can make for difficult comparisons - Enova's status as a community owned company allows us to educate prospective customers about the pricing and renewable energy elements of competing offers. We work with customers to ensure they are on the right tariffs and can access energy efficiency opportunities to build customer retention. Enova is extending partnerships with non-profits to educate consumers about energy efficiency, renewable energy and tariff selection.

Regulation. Electricity retailing is regulated under state and federal laws. Most laws and regulations are administered by the Australian Energy Regulator (AER) or the Australian Competition and Consumer Commission (ACCC). The AER is Australia's national energy market regulator; the AER issues retailer licenses, monitors retail and wholesale energy markets and enforces the laws regulating those markets covered by the National Energy Retail Law and National Energy Retail Rules. Retailers face fines of \$20,000 per breach of regulation or can have their retail licence cancelled in extreme cases.

The Australian Energy Market Operator (AEMO) undertakes ongoing prudential assessments of retailers to ensure they have sufficient financial capacity to operate in wholesale markets. The ACCC enforces competition and consumer protection provisions in energy markets under the Competition and Consumer Act 2010.

The ACCC is active in enforcing these provisions, particularly in relation to unconscionable conduct, the supply of electricity, and truth in advertising. In addition to those laws specifically applying to energy retailing, other acts, regulations and laws apply to Enova such as the Renewable Energy Act, Privacy Act and the Marketing Code of Conduct.

Any changes to the rules will impact all retailers. Changes may result in higher costs, which will be passed through to the consumer. Compliance with law and regulation is a key business risk that requires significant management attention.

Details of NSW government grant - Appendix B

The Company has secured funding of \$33,000 from the NSW Dept of Planning and Environment under its Clean Energy Knowledge Sharing Initiative based on submitting a grant application.

Enova's funding application proposed activities related to a larger project. The larger project is to convert part of Essential Energy's existing network within the Byron Arts & Industrial Estate into a semi-autonomous mini-grid.

The specific project which was funded by this grant will enable Enova to promote the concept to customers within the microgrid and recruit them to the project. Funds will be used to complete market research, planning and participant outreach and recruitment. Some of the funding will also be used to carry out the necessary modifications to metering and billing software for energy sharing, and to enable the UNSW PhD students to visit the site and engage with stakeholders.

Competitive grant funding of \$33,000 was obtained through:

Clean Energy Knowledge Sharing Initiative - Enova Community Energy Ltd
RFQ NUMBER – PROC-2002627.

