Octopus Early Stage Innovation Company 2 (Octopus ESIC)

Q4 2019

octopus investments

A brighter way

Octopus Australia – supporting home-grown technology and a clean-energy future for Australians.

Contents

Important Information and Disclaimer for all Investors

This Information Memorandum (the "**Memorandum**") dated 4 October 2019 relates to Eucalyptus Solar Pty Ltd (the "**Company**" or "**Octopus ESIC**"). Octopus Investments Aust Pty Ltd (ACN 626 662 039**)** (the "**Manager**") is the proposed investment manager of the Company. It is proposed that investors ("**Investors**") will own shares in the Company on the terms described in this Memorandum.

The Manager is issuing this Memorandum. The Manager is a corporate authorised representative of Equity Trustees (ACN 004 031 298) ("**Equity Trustees**").

Statements in this Memorandum are made only as of the date of this Memorandum, unless otherwise stated. The Company and Manager are not responsible for providing updated information to any prospective investors of the Company ("**Prospective Investors**").

This Memorandum is being circulated to a limited number of Prospective Investors on a confidential basis by the Company. Prospective Investors must be, and investments in the Company can only be made by, "sophisticated investors" (in accordance with subsection 708(8) or (10) of the Corporations Act 2001 (Cth)) and "professional investors" (in accordance with subsection 708(11) of the Corporations Act 2001 (Cth)). As such, any offer or issue made under or in connection with this Memorandum does not require a disclosure document as defined under the Corporations Act 2001 (Cth). No action has been taken to permit a public offering of the shares in the Company ("**Shares**") in any jurisdiction where action for that purpose would be required. This Memorandum does not constitute an offer to sell or a solicitation of an offer to buy Shares in any jurisdiction to any person to whom it is unlawful in such jurisdiction to make such offer or solicitation.

Nothing in this Memorandum takes into account the investment objectives, financial situation or particular needs of any Prospective Investors, and does not purport to contain all the information that a Prospective Investor may require in evaluating a possible investment in the Company, nor does it contain all the information which would be required in a product disclosure statement prepared in accordance with the requirements of the Corporations Act 2001 (Cth). Prospective Investors should carry out their own due diligence on the Company and of the information contained in or referred to in this Memorandum and should form their own assessment and take independent professional advice on the merits and risks of an investment in the Company and the legal, regulatory, tax and investment consequences and risks of doing so. Prospective Investors should also carefully review the information and warnings set out in Section 9: "Risk Factors and Conflicts of Interest" of this Memorandum.

No representation or warranty, express or implied, is, or will be, given by the Company, the Manager or any of their respective associates, advisers, directors, officers, employees or agents and, without prejudice to any liability for, or remedy in respect of, fraudulent misrepresentation, no responsibility or liability or duty of care is, or will be, accepted by the Company, the Manager or any of their respective associates, advisers, directors, officers, employees or agents as to the fairness, accuracy, completeness, currency, reliability or reasonableness of the information or opinions contained in this Memorandum or any other written or oral information made available to any Prospective Investor or its advisers in connection with any proposed subscription or otherwise in connection with this Memorandum. In particular, but without prejudice to the generality of the foregoing, no representation or warranty is given as to the achievement or reasonableness of any future projections, forecasts, targeted returns or illustrative returns ("**Forward-Looking**

Information").

Past performance information contained in this Memorandum, or in such other written or oral material, is not an indication of future performance. Such information has not been audited or verified by an independent party and should not be seen as any indication of returns which might be received by Investors in the Company. Similarly, where Forward-Looking Information is, or related statements or expressions of opinion are given, it or they should not be regarded by any recipient of this Memorandum as a guarantee, prediction or definitive statement of fact or probability. Actual events and circumstances are difficult or impossible to predict and will differ from assumptions. A number of factors, in addition to the risk factors stated in this Memorandum, could cause actual results to differ materially from those in any Forward-Looking Information. There can be no assurance that the Company's investment strategy or objectives will be achieved or that Shareholders will receive a return on the amount invested.

In making an investment decision, Prospective Investors must rely on their own examination of the Company, the Manager and any other information they consider relevant.

To the fullest extent possible, by accepting delivery of this Memorandum, each Prospective Investor releases the Company, the Manager and each of their respective associates, advisers, directors, officers, employees and agents in all circumstances (other than fraud) from any liability whatsoever and howsoever arising from its use of this Memorandum or any information or communications in connection with this Memorandum, or due to information being omitted from the Memorandum, whether by way of negligence or otherwise. In addition, no responsibility or liability or duty of care is, or will be, accepted by the Company, the Manager or any of their respective associates, advisers, directors, officers, employees or agents for the accuracy, reliability or completeness of the information contained in this Memorandum, updating this Memorandum (or any additional information), correcting any inaccuracies in it or providing any additional information to any Prospective Investor. Nothing contained in this Memorandum (nor any other information made available to Prospective Investors in the further due diligence materials provided) is, or shall be relied upon as a promise, representation, warranty or guarantee, whether as to the past, present or future. Accordingly, to the extent permitted by law, neither the Company, the Manager nor any of their respective associates, advisers, directors, officers, employees or agents shall be liable (save in the case of fraud) for any loss (whether direct, indirect or consequential) or damage suffered by any person as a result of relying on any statement in, or omission from, this Memorandum or in, or omitted from, any other information or communications in connection with any proposed subscription of Shares.

The Company was established on 17th October 2018. Prospective Investors should review the draft Constitution, Shareholders Deed, Subscription Deed, Investment Management Agreement, Nominee Deed and Custodian Agreement ("**Transaction Documents**") for further information regarding the rights and obligations of Investors in the Company, and the final Transaction Documents once available. The Transaction Documents will be provided by the Manager to a Prospective Investor at the request of that Prospective Investor. Where a statement in this Memorandum expresses or implies that a state of affairs exists as at the date of this Memorandum, that statement must be read and interpreted to the effect that the state of affairs will exist by no later than the date of issue of Shares.

This Memorandum is proprietary to the Manager, a trade secret and furnished to recipients by the Company on a confidential basis. By accepting delivery of this Memorandum, the recipient agrees not to reproduce or distribute this Memorandum, in whole or in part, by electronic or any other means, and not to disclose any of its contents (other than to obtain advice on it from a legal, business, investment or tax adviser). If any of the restrictions, set out above or below are unacceptable, this Memorandum should be returned immediately.

Neither the Company nor the Manager has authorised any person to give any information or make any representation concerning any transaction that may be described herein, other than by providing this Memorandum or such further information as may be furnished by the Company and/ or the Manager, all of which will be subject to the same terms as this Memorandum and, if given or made, such information or representation must not be relied upon as having been so authorised.

Neither the Company nor the Manager is making any offer by communication of this Memorandum to recipients and no reliance should be placed upon the contents of this Memorandum by any person who may subsequently decide to apply for Shares following circulation of the Transaction Documents. Without limiting the generality of the foregoing, this Memorandum does not constitute, and may not be used for the purposes of, an offer to subscribe for Shares or an invitation to apply to participate in the Company by any person in any jurisdiction in which such offer or invitation is not authorised or in which the person endeavouring to make such offer or invitation is not qualified to do so or to any person to whom it is unlawful to make such offer or invitation.

Prospective Investors should not construe the contents of this Memorandum as legal, tax, financial, investment, accounting or other advice or as a recommendation by the Company or the Manager that any Prospective Investor should acquire any Shares.

This Memorandum must not be used in conjunction with an invitation to offer securities in the Company that would require a disclosure statement under section 706 of the Corporations Act 2001 (Cth).

Each recipient of this Memorandum may ask questions of representatives of the Company or the Manager concerning the terms and conditions of participation in the Company and to obtain any additional information in connection with the contents of this Memorandum. The Company or the Manager may, at its discretion, make further information available to Prospective Investors in response to such questions, or of its own volition, and any further information will be subject to the same terms as this Memorandum.

All financial and other data in this Memorandum is as at 30 June 2019 unless otherwise stated. Note the following FX rates were used as of this date: GBP:AUD 1.8070; USD:AUD: 1.4238; EUR:AUD 1.6189

The recipients of this Memorandum may request clarification and further documentation by contacting:

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Octopus and Octopus ESIC at a glance

Octopus Group enters Australia:

- Experienced renewable energy Investment Manager with over **250** energy sites under management, representing **$5.1 billion** of value and **c2.3GW** of capacity.
- Experienced **team of eleven** on the ground, based in Melbourne and Sydney, building the investment pipeline, performing due diligence and executing transactions.

Renewable Energy Market Opportunity in Australia

- **$170 billion** of renewable investment over next 30 years.
- Contraction of electricity supply as coal plants retire and the grid adopts a diverse energy mix.
- Electricity demand driven by the one of the fastest-growing populations in the developed world, record heatwaves and calls for cleaner energy from consumers and investors.

Company and Investment Strategy:

- Investing in Australia's transition towards a renewable energy future.
- Investment focused on construction ready utility scale solar energy sites.
- Deploying innovative Australian technology on a solar site to enhance returns for investors.
- Qualifying as an Early Stage Innovation Company; providing investors with the opportunity for significant tax incentives:
  - 20% non-refundable carry forward tax offset, allowing eligible investors to reduce their tax bill by a maximum of $200,000, effectively 20% of capital invested returned after submitting a tax return; and
  - Investment free of taxable capital gain.
- Revenue for the site will be generated through the sale of energy via fixed term and fixed price contracts ("**Power Purchase Agreements**") and wholesale energy trading.
- Liquidity provided via the sale of Company shares.
- Target: **Net 6–8% IRR**.

1. Executive Summary

1.1. Octopus Introduction

Octopus is one of the largest specialist renewable energy investment managers in Europe, now with an experienced team based in Australia.

Founded on an obsession with always delivering above expectations for customers, **Octopus** is building companies and investments that people love and which make a difference. Our core strategy is to focus on markets that are outdated and in need of change, where there is lack of supply, a shift in demand, or a change in attitudes which provides an opportunity to shape better outcomes for customers and their communities. Today, Octopus Group[1] is a multi-strategy independent investment manager, with over 800 employees in London, New York, Melbourne and Sydney, and approximately $15.5 billion of funds under management.[2] Octopus works with in excess of 4,000 financial advisers, utilising our investment teams experience to offer clients a combination of traditional and tax-efficient investment solutions.

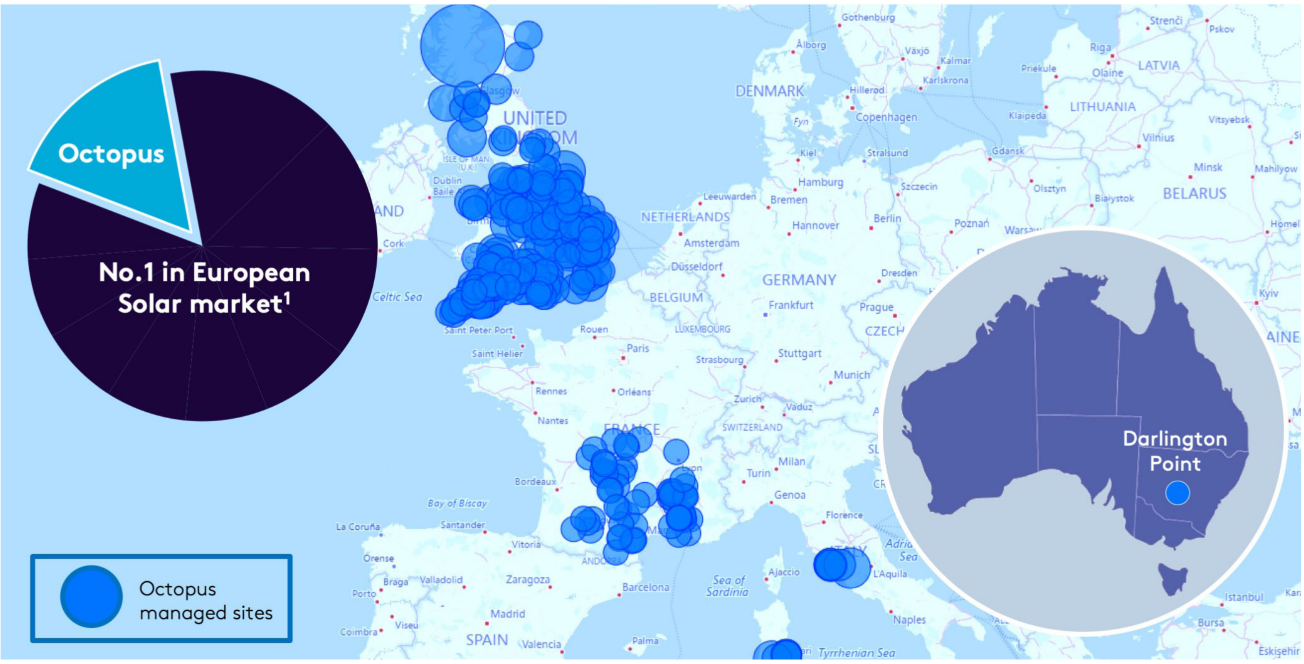
The launch of Octopus' Australian office in 2018 is based on the belief that the company's experience in renewable energy in Europe can help shape Australia's energy transition away from fossil fuels, providing a cleaner and more sustainable future.

[1] "Octopus Group" refers to Octopus Capital Limited, a UK private company and its majority owned subsidiaries
[2] Octopus Investments, June 2019

European Energy Experience:

The Octopus Renewables ("**OR**") team of the Octopus Group is a global specialist energy investment team that was established in 2010 with a primary focus on the sourcing, financing, construction and operation of renewable energy assets, especially utility scale solar photovoltaic plants ("**Solar PV**"). OR has grown significantly since inception and is now one of the largest renewable energy investment management teams in Europe. The team led investment into the largest portfolio of European Solar PV (1.3GW) and manages in total a portfolio c2.3GW of installed capacity across over 250 energy sites worth $5.1 billion. OR's managed funds are split across retail, wholesale and institutional investors. In addition, the team managed a market leading Solar PV project refinancing in the UK (c$864 million) as well as the first merchant (i.e. exposed to the wholesale market) Solar PV refinancing in Italy (c$36 million). To support its growing activities and portfolio, OR employs over 70 professionals with wide-ranging experience and strong track records in investment sourcing, deal execution and asset management. By drawing on this experience and leveraging its wider relationships, OR believes it is well placed to identify and execute attractive investment opportunities, and develop and implement value enhancement strategies, thereby delivering attractive returns to investors.

Figure 1: OR Energy Portfolio



Octopus in Australia

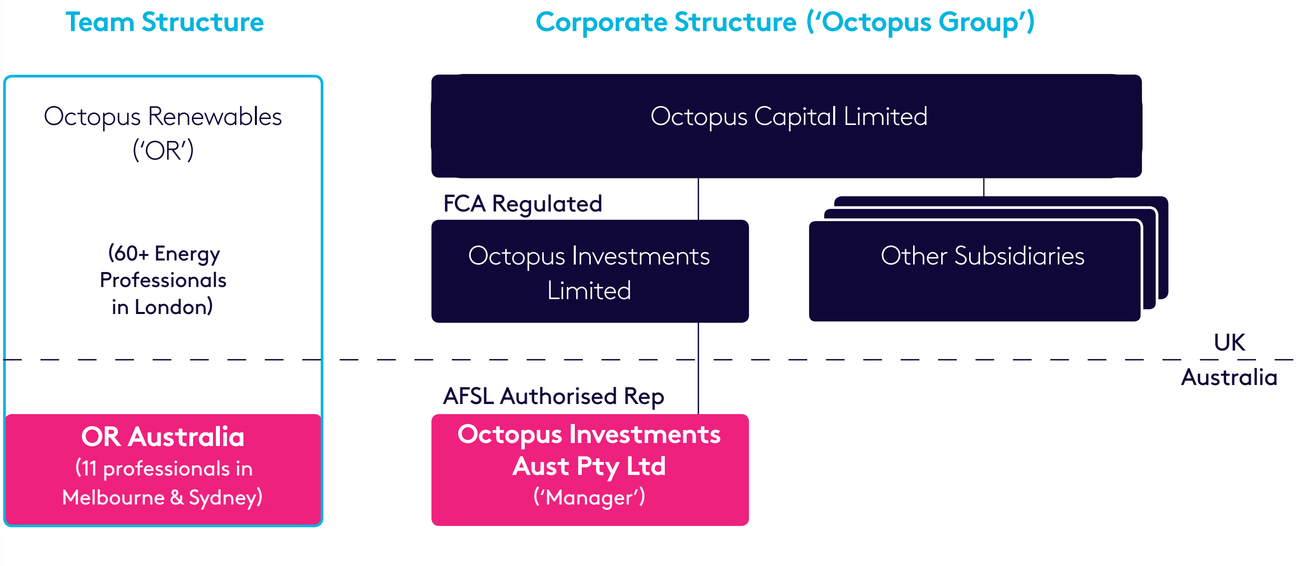
In Australia, Octopus Group's fund management will be carried out through Octopus Investments Aust Pty Ltd (the "**Manager**") and its Melbourne and Sydney based OR team ("**OR Australia**"). OR Australia is led by Managing Director Sam Reynolds. Sam, originally from Australia, was previously Head of Energy Investments for OR in London and oversaw the expansion of the OR portfolio to $5.1 billion. Sam is supported on the ground by senior OR renewable investment professionals who successfully delivered similar investment strategies outlined in this document (see Sections 1.3 and 7.2).

In total, OR Australia comprises eleven individuals with a range of experience working within the Octopus Group, OR and other renewable energy investment management businesses across Europe and Australia. Details of the team are listed in Section 5.

An Australian-based investment committee (Octopus Investments Australia Investment Committee) ("**OIAIC**") has also been established to make the final decisions on new investment opportunities and allocations presented to it by OR Australia's investment team. The overriding role of the OIAIC is to ensure that all proposals which are approved are in the best interests of the Shareholders, are within the Company's strategy and that all statutory, regulatory, fiduciary and contractual obligations and OIAIC procedures are adhered to throughout the investment. Further detail on the OIAIC can be found in Section 5.5.

In December 2018, OR Australia, reached financial close on Darlington Point, its first Australian asset. At 333MW, once fully constructed Darlington Point is expected to be the largest Solar PV site in Australia. The team secured the deal with one of Australia's most experienced solar developers, outside of a fully competitive process, based on an existing relationship of OR. More detail is provided in section 7.5.

Figure 2: Octopus Team and Corporate Structure Overview



1.2. Market Opportunity

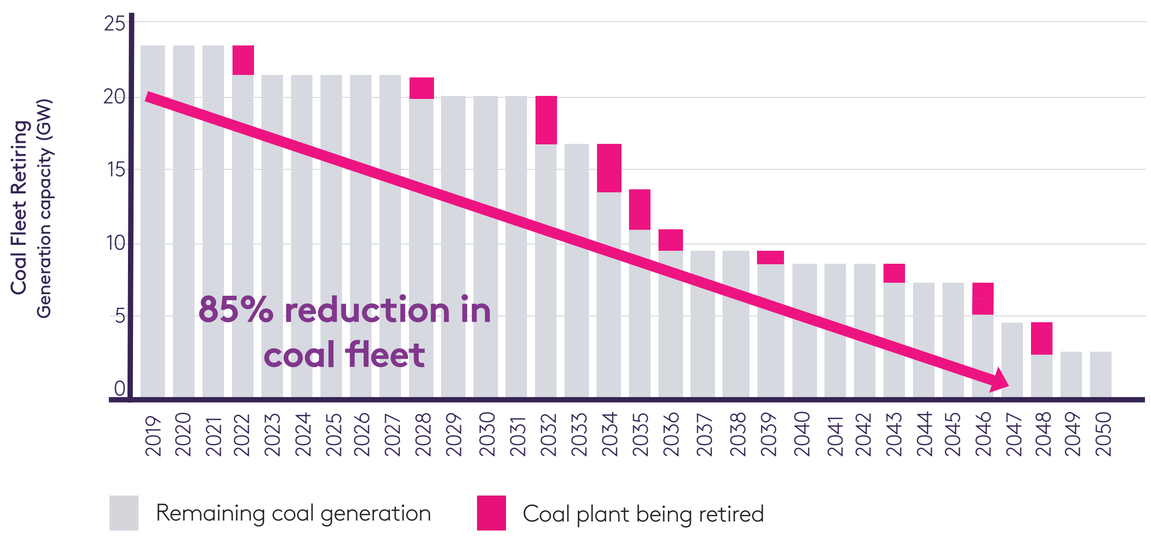
Australia, known for its reliance on coal, is ripe for a transition towards renewable energy.

Despite a large reliance on coal, Australia is poised to follow examples set by the UK and Europe in a transition to renewable energy, as the cost of such technologies continue to fall. Over the next 30 years, c$170 billion is forecast to be invested into Australia's renewable energy infrastructure.

OR Australia was monitoring the Australian renewable energy market for 24 months before launching a financial product. OR believes the current environment now provides a ripe opportunity for investors to be a catalyst for Australia's transition to renewable energy. Octopus Early Stage Innovation Company 2 represents the second such solution in the Australian renewable energy market.

OR Australia see the below drivers underpinning this transition and driving investment into the sector (discussed further in Section 3.2):

Figure 3: Forecast Australian Coal Plant retirement[4]



Energy Supply Constraints

- **Coal plant retirements:** Today, 80% of Australia's electricity is generated from an increasingly ageing fleet of coal and gas plants. Over the next 30 years, 85% of coal capacity is forecast to retire with little to no planned reinvestment or new construction of coal plants; and
- **Electricity Transmission and Distribution Grid:** The replacement of coal-fired baseload energy with a new generation mix containing renewables will most likely not be orderly, as Australia's energy grid was not designed to accept energy sources embedded throughout the grid that generate intermittently. OR Australia believes a delayed modernising of the grid will benefit those assets able to secure an early grid connection, while keeping upward pressures on energy prices.

Energy Demand Drivers

- **Climate Change and Population trends:** The impact of climate change on weather patterns is becoming more pronounced, with record summer temperatures recorded throughout the country: January 2019 being the hottest month on record, dating back to 1910.[5] Compounding these issues is Australia's population, which increased by 17.9% over the last decade to nearly 25 million people[6] and is forecast to be one of the fastest-growing countries in the developed world (40 million by 2050[7]).
- **Shift in attitudes:** Popular attitudes toward energy consumption and investment are changing. Large corporates, governments and other large energy users are increasingly committing to sustainable consumption including the procurement of renewable energy. Additionally, as younger generations begin to command greater wealth and influence, sustainability will increasingly become a core factor in making investment decisions.

[4] Parliament of the Commonwealth of Australia, Environment and Communications Committee, 2017
[5] ABC, Australia swelters through hottest month on record, 2019 Brisbane Times, Queensland breaks weather records, 2018
[6] Business Insider, Here's how Australia's population growth compares to other nations, 2018
[7] Population Australia, 2018

1.3. OR Track Record[8]

Octopus ESIC represents the Australian rollout of a strategy successfully deployed by OR in the UK[9]

Octopus has a proven track record of helping to accelerate the development of local renewable energy markets by providing flexible funding opportunities to attract investment, which supports the development and construction of renewable energy assets. OR Australia will deploy a similar strategy.

OR relocated to Melbourne and Sydney the team that negotiated and invested in the portfolios listed on Table 1, and who now form the senior team of OR Australia.

Table 1: UK Solar Track Record – Individual and Portfolio Sites

Vintage	Project	Total MW	Equity value ($m)	Gross IRR	Description
2013–16	Elke Solar Limited	12	16	12%	The site is situated in Orston, Nottinghamshire. This site is capable of producing 11,604MWh of green power every year, enough to power 3,000 homes and saving around 2,947 carbon tonnes. Elke Solar has been under the management of Octopus since January 2014 when construction commenced. The project was sold to a UK pension fund in 2017.
2013–16	Krieger Energy Limited	19	9	12%	Situated in Romney Marsh, Kent. This site is capable of producing 21,073MWh of green power every year, enough to power 5,546 homes and saving around 5,353 carbon tonnes. Krieger Energy has been under the management of Octopus since June 2013 when construction commenced and began operation in March 2014. The project was sold to a UK pension fund in 2017.
2014–17	Suvana Limited	11	9	9%	Situated in Thaxted, Essex, this site is capable of producing 10,188MWh of green power every year, enough to power 2,680 homes and saving around 2,588 carbon tonnes. Octopus took Suvana through construction, on to operation in October 2014. The project was sold to a UK pension fund in 2017.
2014-18	Dacia Energy Limited	13	9	9%	Situated in Sturry, Kent, this site was capable of powering 3,300 homes. Octopus purchased the site in December 2014 before construction, and the site was then taken through to operation and sold to an Asian pension fund.
2015–17	Sulis Solar Portfolio (10 sites)	48	109	11%	Equity portfolio of shovel ready solar sites built and connected on time to the grid. Sold to a UK pension fund after 2 years of operation.
2016–18	Belisama Solar Portfolio (6 sites)	26	58	15%	Equity portfolio of shovel ready solar sites built and connected to the grid on time. Sold to an Asian pension fund after 2 years of operation.

[8] At time of launch, the first Early Stage Innovation Company is yet to have a performance track record, the following information from OR's origination, operations and delivered to demonstrate the capabilities of OR Australia and the wealth of experience which the team can call upon from OR in London.
[9] As above

1.4. The Company and Investment Strategy

Proprietary origination channels and a highly experienced investment team with opportunities for rapid capital deployment into a strong pipeline

Octopus Early Stage Innovation Company 2 ("**Octopus ESIC**" or the "**Company**") will benefit from the experience of OR Australia (supported by the wider OR team) in order to capitalise on the Australian market opportunity. Similar to the UK track record, the Company's strategy will be to drive value to Shareholders through constructing a new utility scale Solar PV asset and developing a strong operational track record. Through construction to the operational phase of the project, the Company will deploy an innovative Australian technology, aimed to add value to the performance of a site. With an operational asset, the Manager expects to draw large pools of lower costing capital (i.e. public markets, superannuation funds) which can provide attractive liquidity options for Shareholders.

The Manager anticipates the Company investing in a 'shovel ready' project, meaning development works are complete (see Section 8.2), all construction and operational contracts are finalised, and contractors are ready to commence work onsite. The intention is for the Company to fund the 6-to-12-month construction programme through to steady state operations. Value to Shareholders will be driven by the de-risking of the site post construction by normalising operations, selling the site's energy generation, and realising the project via a sale or listing of the Company.

From a revenue perspective (detailed further in Section 8.10), the Manager will target a proportion of energy to be sold on a fixed term, for a fixed price. To allow flexibility, energy will also be traded on the wholesale energy market to capture any upside movement in energy prices or fixed for short periods of time based on the Manager's view of the energy market.

Investors will acquire and hold legal and/or beneficial title to Shares in the Company (subject to the nominee arrangements described in Appendix B 'Nominee Arrangements'), which is an Australian unlisted proprietary limited company. The Company intends to hold a special purpose vehicle, which owns a renewable energy site. The Company will target a net internal rate of return ("**Net IRR**") of 6–8%. For further details, please see Appendices B.

1.5. Early Stage Innovation Company Status

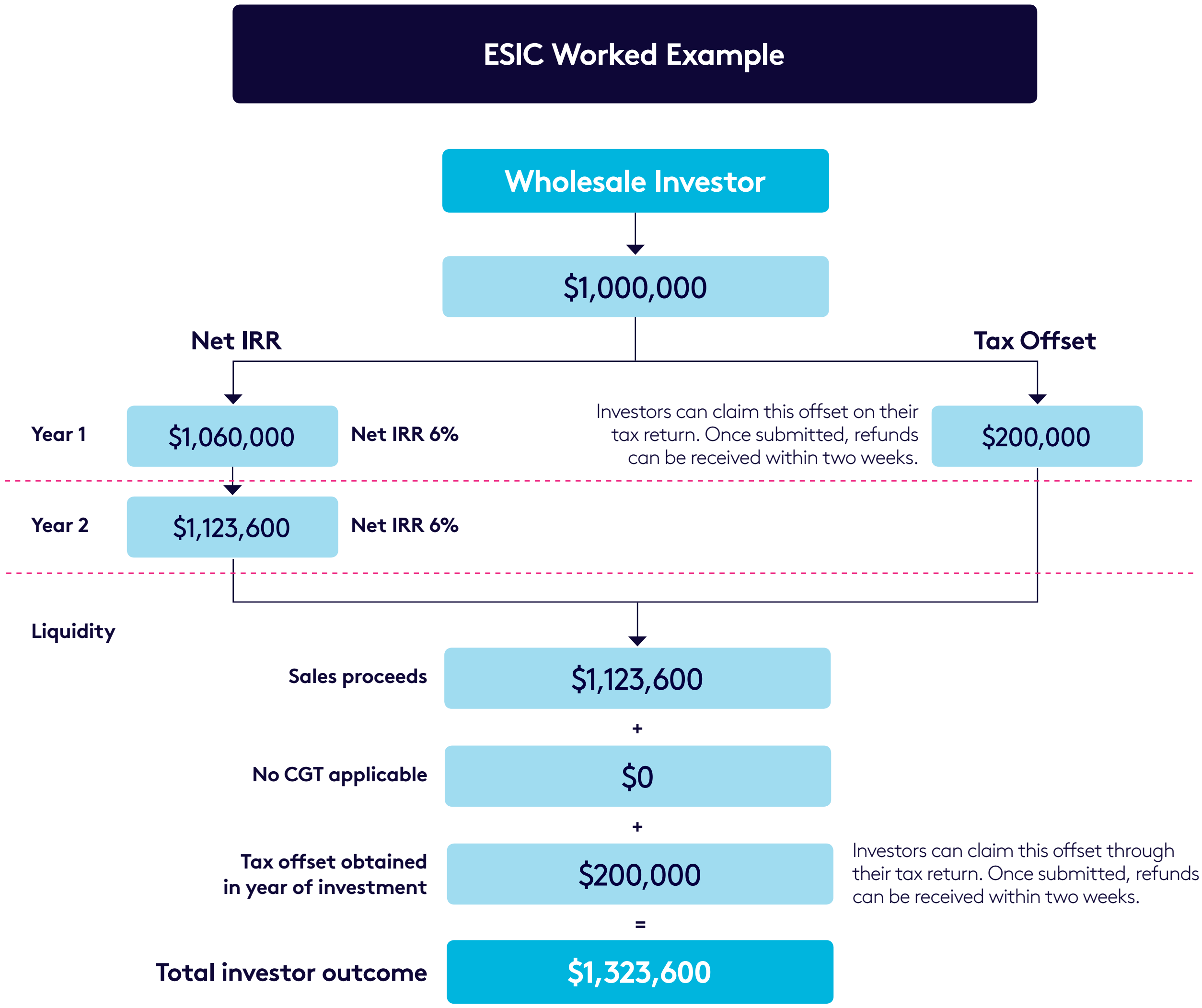
Octopus ESIC will qualify as an Early Stage Innovation Company, and accordingly provides eligible Investors with some advantageous tax incentives

Early Stage Innovation Company ("**ESIC**") legislation was introduced through an initiative which incentivised greater investment into early stage companies. Qualifying as an ESIC requires the Company to meet a number of certain specifications which have been drafted under the Income Tax Assessment Act 1997 (Cth) Sect 360-40. These requirements ensure the Company is early stage, and meets a number of innovation hurdles within the business. The ESIC guidelines that have been drafted, are similar to UK legislation for Enterprise Investment Schemes ("**EIS**"), which promoted investment into various sectors within the UK economy. Octopus Group, as the leading provider of EIS in the UK, and familiar with legislation designed to promote investment into early stage companies has set about launching Octopus ESIC. OR Australia has successfully obtained a Private Binding Ruling ("**PBR**") from the ATO for Octopus' first Early Stage Innovation Company[10], and will ensure a PBR is obtained for Octopus Early Stage Innovation Company 2 prior to the allotment of shares, confirming satisfaction of the ESIC innovation requirements.

[10] OR Australia's first ESIC based fundraise which successfully closed in June 2019

Tax benefits for investors: Dependent on an individual's tax situation, investment into the Octopus ESIC will provide the below tax benefits to the ultimate Australian beneficiary of the Shareholder:

- **20% non-refundable carry forward tax offset:** Limited to investments of $1 million, the tax offset is equal to 20% of the invested amount and can be applied in the year of investment to reduce any tax owing. If the full amount is not offset during this tax year, any residual amount may be carried forward across a number of future tax years. Investments of more than $1 million will be accepted, although this tax offset would not apply for any sum above the initial $1 million.
- **Tax free capital gains:** Shares held in the Octopus ESIC for at least 12 months (but less than 10 years) may be exempt from capital gains when disposed. This exemption is not limited to any amount of investment. An exemption will also be placed on any losses to Shareholders through the realisation of their investment.



[9] Tax benefits are only available for eligible investors. Octopus cannot provide financial advice, and recommends Potential Investors seek advice that takes into account their specific circumstances.
The worked example assumes that both the full tax offset and tax-free capital gain benefit will be applicable to the Investor, which may not be the case.
The Company needs to qualify as an ESIC, as at the time Shares are issued in the Company.

2. Key Terms

The following is a summary of the proposed principal terms of the Octopus Early Stage Innovation Company 2 ("Octopus ESIC 2"). The summary is qualified in its entirety by reference to the Transaction Documents and to the extent of any inconsistency the terms of the Transaction Documents will prevail.

Company Name	Eucalyptus Solar Pty Ltd (the **"Company"**).
Investment Manager	Octopus Investments Aust Pty Ltd (the **"Manager"**).
Nominee and Custodian	Equity Trustees Limited (ACN 004 031 298) (the "**Nominee**" and "**Custodian**" (as applicable)).
Target Aggregate Subscription Amount	$40 million to $60 million.
Company's Business and Investment Objectives	The business of the Company is: • the acquisition, construction and operation of one or more Solar PV power generation projects in Australia (the "Project"), and • the development of innovative solar technology for the purposes of increasing the value of the Project and for commercialisation of that technology, (together the "**Business**"). The objectives of the Company are to carry on the Business, develop and expand the Business and maximise the long-term value of the Business. Please see the more detailed description in section 8.
Management Team	The Octopus Renewables ("OR") team of the Octopus Group is a global specialist energy investment management team responsible for originating and executing transactions in the renewable energy sector. The OR team has over 250 energy sites under management, representing $5.1 billion of value and c2.3GW of capacity. OR Australia comprises eleven individuals based in Melbourne and Sydney, with a range of experience working within Octopus Group, OR and other renewable energy investment management businesses across Europe and Australia. The team is led by Sam Reynolds, who was previously the Head of Energy Investments for OR and oversaw the expansion of OR's portfolio.
Minimum Investor Subscription Amount	$250,000 (or such lesser amount approved by the Manager in its sole discretion).
Target Returns	6%–8% p.a. net IRR over the target hold period (two years) but noting the Company may have a longer term.

Early Stage Investor Tax Incentives	The following tax incentives will be available for eligible early stage investors in the Company: • a tax offset at the outset for investors who invest in the Company. Specifically, investors may receive a non-refundable carry-forward tax offset of 20% of the value of their investment, subject to a maximum offset cap amount of $200,000; and • an exemption for any subsequent capital gains realised on the investment, but without access to any losses realised on the investment. Specifically, investors may disregard capital gains realised on shares in the Company that have been held for the term of the investment. Investors' eligibility for the early stage investor tax incentives will depend upon each investor's circumstances. Investors should review the detailed consideration of tax considerations in connection with the acquisition of an interest in the Company in Appendix D ('Tax Considerations').
Term	The target hold period for the Project is approximately two years from the Start Date (as defined below) or such other period determined by the Company to achieve favourable sale terms.
Target Investors	The Company intends to offer interests in fully paid ordinary shares in the Company (the "**Shares**") to Australian sophisticated investors or professional investors (as defined in section 708 of the Corporations Act 2001 (Cth)). Each investor who holds a legal or beneficial interest in Shares (including the Nominee) is referred to as an "**Investor**".
Start Date	The start date will be the date determined by the Manager on (or following) the date on which Investors have been issued with Shares ("**Start Date**").

3. Market Opportunity and Pipeline

OR believes that Australia is at the precipice of a fundamental shift in how it produces and consumes energy.

Driven by a constraint of energy supply with the removal of coal from the grid and robust demand from a growing and more discerning population, Australia's transition towards a more diverse, dispersed and cleaner energy mix will not be without challenge; however, it provides significant opportunities for investment.

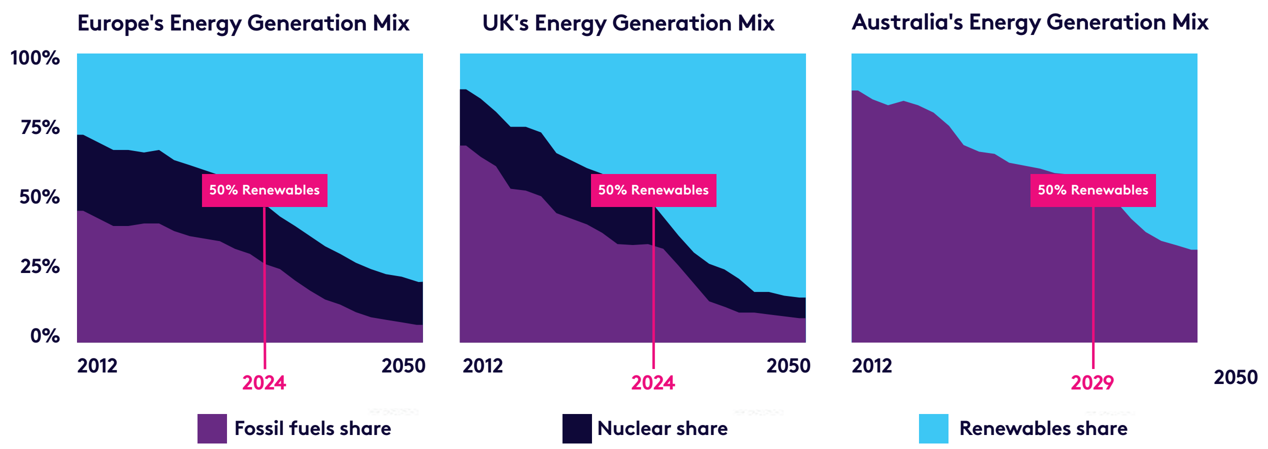
3.1. The transition from fossil fuels: Europe offers a vision of the future

Australia's transition away from fossil fuels is lagging in comparison to countries with similar energy markets where OR is active.

As the OR team saw specifically in the UK, once momentum behind renewables deployment gathers, the transition away from non-renewable sources has been quicker than forecast by governments or economists and is resulting in new milestones for the industry. During the 2019 summer, the UK experienced a week without any coal generation – the first time since coal's introduction to the energy mix in the 1800's and is on track to phase out coal altogether by 2025.[12] More broadly, Europe is now on course to source 50% of its energy from renewable sources by 2022.[13] As the largest investor into European solar, OR contributed to the success of the UK and wider European market, placing OR Australia in a strong position to help drive forward renewable energy investment in Australia.

Australia is in a prime position to benefit from the experience of these other markets as renewable energy becomes cost competitive with traditional fossil fuel energy sources in the face of recent increases in energy prices. The country is already on track to reach 50% of energy generation in the next 12 years, but OR Australia believes this transition could occur more rapidly and turbulently than implied by the gradual transition shown in Figure 5 and discussed further in 3.2.

Figure 5: Changing Europe/UK/Australia (Fossil Fuels vs Renewables) (%)[14]



[12] Uk has first coal-free week for a century, BBC, 2019
[13] As above
[14] Bloomberg New Energy Finance, 2019

3.2. Drivers of renewables investment in Australia

Australia is forecast to invest $170 billion into renewable energy by 2050

With the prevalence of cheap domestic reserves of coal and gas, Australia has been slow to adopt renewable energy: in 2018, Australia sourced more than 80% of its energy demand from fossil fuels, 60% from coal alone.[15] However, the unannounced closure of the Hazelwood power station in 2017 saw a dramatic increase in energy prices and highlighted the need to replace an ageing energy infrastructure. At the same time, cost competitive renewables helped launch the utility scale solar industry from a near standstill in 2016, when just c300MW was in operation, to an estimated 2.3GW commencing construction in 2018 alone, but this is still short of the 28GW the Australian Energy Market Operator ("**AEMO**") anticipate would be needed to help replace retiring coal generators (see below).[16]

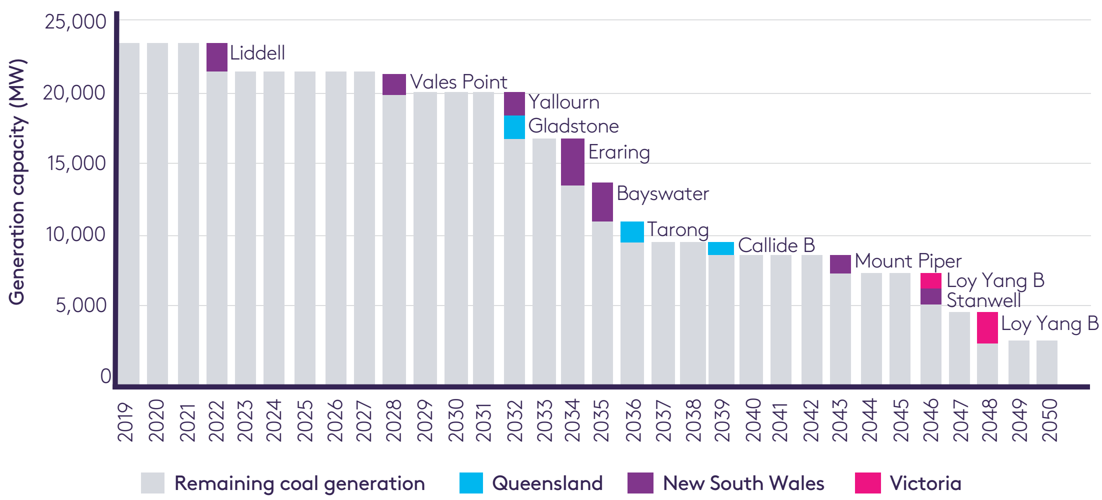
OR Australia sees the following as the key supply and demand drivers which will underpin a robust market for renewable investment.

Energy Supply Constraints

- **Coal plant retirements and cost competitive renewables:** Many of Australia's existing coal and gas-powered stations are reaching the end of their useful economic life, requiring investment to redevelop these overworked assets should they continue to run. By 2030, 55% of Australia's coal powered stations on the National Energy Market ("**NEM**") will be 40 years or older, approaching obsolescence, and becoming more unreliable, costly to maintain, and subject to failures.[17] In response, the Government's Environment and Communications Committee noted in 2016, "the question is not if coal fired power stations will close, but how quickly and orderly these closures will occur, and what supporting policies, if any, will be in place to help manage the process."[18]

  The sudden closure of the 1.6GW Hazelwood power station in March 2017 illustrates the impact an unorderly transition can have across states, as energy prices rose significantly over the following year in Victoria (up 85%), New South Wales (63%), Queensland (53%) and South Australia (32%).[19] Liddell and Vales Point power stations are both similar sizes to Hazelwood and are forecast to close over the next 10 years (see Figure 6) with closures accelerating thereafter.

Figure 6: Australia's retiring coal fleet between 2019 and 2050[20]

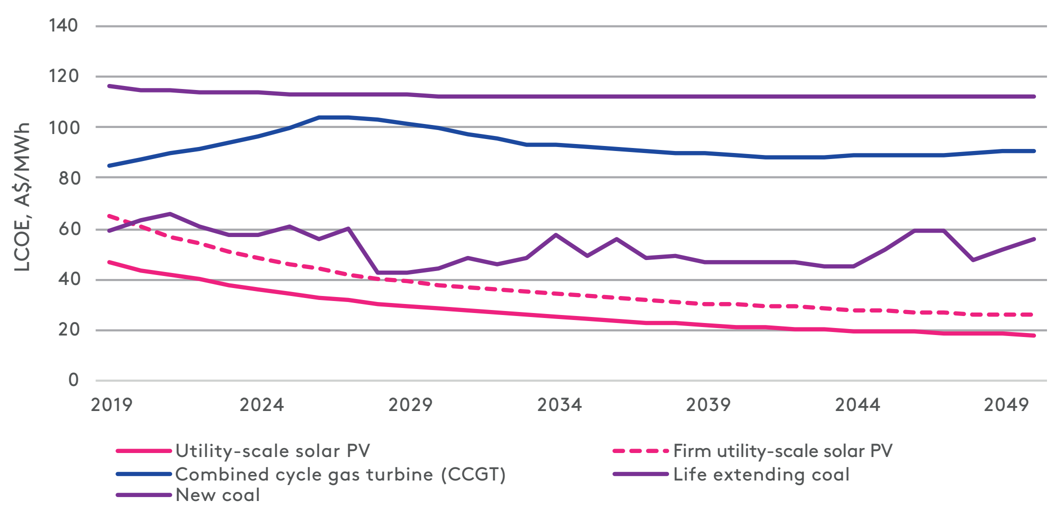


[15] Department of Environment and Energy, Australian Energy Statistics, 2019
[16] PV Magazine, Australia's Clean Energy Council reports 2GW of utility scale commencing construction in 2018
[17] Climate Council, End of the Line Coal: Coal in Australia, p8
[18] Senate Standing Committee on Environment and Communications, Retirement of Coal Fired Power Stations Interim Report, 2016
[19] Australian Energy Regulator, Wholesale electricity prices higher since Hazelwood exit, 2018
[20] Parliament of the Commonwealth of Australia, Environment and Communications Committee, 2017

AEMO, who is responsible for the stability of Australia's energy system, noted that, over the next 20 years, a mix of renewable energy and storage is best placed to replace existing energy supply instead of reinvestment or new investment into the coal fleet. Planned replacement is to be led by solar (28GW) and include wind (10.5GW) and storage (17GW/90Gwh) with small gas plants in a supportive role (0.5GW).[21]

The transition is driven by cost competitive renewables, especially solar, relative to the cost of extending the life of coal or brand-new coal generation capacity over the foreseeable future (Figure 7).

Figure 7: Cost of energy generation in Australia (Solar vs Coal)[22]



While the cost of solar technology has dropped significantly in recent years (the international price of Solar PV panels has dropped by 65% over the last five years), such equipment is expected to only make up about 25% of building costs. Remaining costs of a site are made up of components such as framing, transformers, and inverters as well as labour costs, transport and any requisite grid upgrades that may be imposed by AEMO, which are not following similar cost reduction trends seen with panels.

Energy Supply Constraints (cont.)

- **Grid infrastructure:** The NEM operates the world's longest and thinnest interconnected power system between Port Douglas, Queensland; Port Lincoln, South Australia; and Geeveston, Tasmania, with an end-to-end distance of approximately 5,000 kilometres. This system was built to distribute energy from a few select large (mainly coal) generators to large cities as well as disparate towns and areas across the entire east and south of the country.

AEMO recognise that a diverse energy mix will include renewable energy plants located around the country and, as such, the grid will need to be upgraded to accommodate these new generation sources that behave differently to older technologies. Despite this recognition, OR Australia's view is that investment in the grid may be slower than needed, which could put constraints on new development and keep upward pressure on energy prices. AEMO reiterated this view, stating that, in certain areas across Australia, new renewable energy generators "will likely be prevented from generating at full capacity unless additional investment was made to remediate the impacts on system strength."[23]

[21] AEMO, Integrated System Plan, 2018
[22] Bloomberg New Energy Finance Outlook, 2018
[23] AEMO, Integrated System Plan, 2018

In July 2018, AEMO published the Integrated System Plan, which sets out a road map as the grid transitions away from using fossil fuels to renewable energy, rooftop solar and electric vehicles. The Integrated System Plan proposes remediation such as investment into new and existing transmission lines, minimum notice periods for coal plant closures and strategic reserves to avoid blackouts. While some of these proposals are being put in place (such as required notification of coal closures three years in advance[24]) unless required investment into the grid is forthcoming, immediate renewables deployment could be tempered.

OR Australia view such potential restrictions as benefiting assets that can secure connections with AEMO on advantageous locations on the grid, as these will benefit from short-term supply constraints, which should feed through to energy pricing.

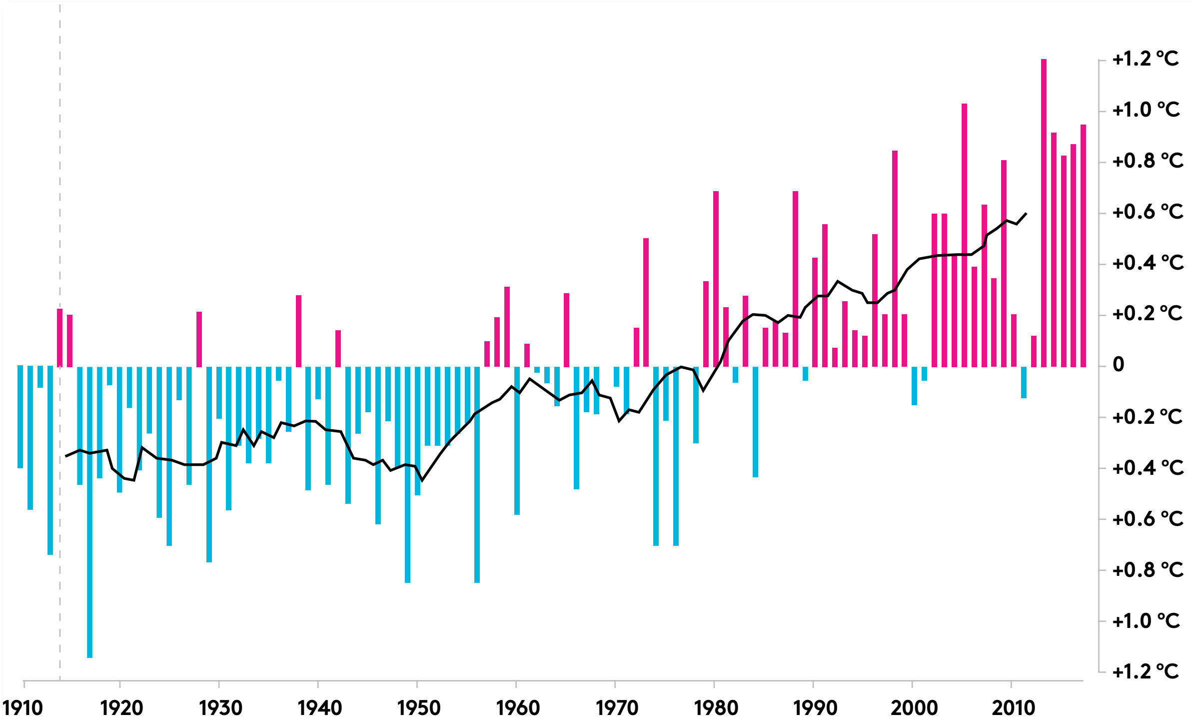
Energy Demand Drivers

- **Climate Change and Population Growth:** Increasing temperatures and presence of prolonged heat events impact the reliability of the energy system in various ways. These include increased challenges associated with the following:
  - Managing "coincident peaks" (concurrent hot and humid days in multiple regions and across major cities in the NEM, particularly when combined with projected population growth and an increase in air-conditioning);
  - The impact of prolonged heatwaves on grid resilience (where increased system stress can result in increases in individual plant failures, particularly in ageing plants); and
  - The increased risk associated with bushfires during these periods, which impact system availability.

Examples of impacts across the country include Sydney and areas of Queensland, which reported sustained record temperatures in 2018 and 2019, with the latter also resulting in record energy demand as corresponding usage of air conditioning increased. In addition, AEMO has also highlighted that sustained 40-degree days in Victoria and Sydney could be a catalyst for energy demand levels typically seen only once a decade. Such increases would need an additional 380MW of resources to compensate in Victoria alone.[25]

[24] AEMO, National Electricity Amendment, 2018
[25] AEMO, 2018 Electricity Statement of Opportunities, 2018

Figure 8 – Australian mean temperature anomaly showing year-on-year change in average temperatures[26]



Mean temperature anomalies averaged over Australia (as calculated from the 1961-1990 average.)
The black line shows the 11-year moving average

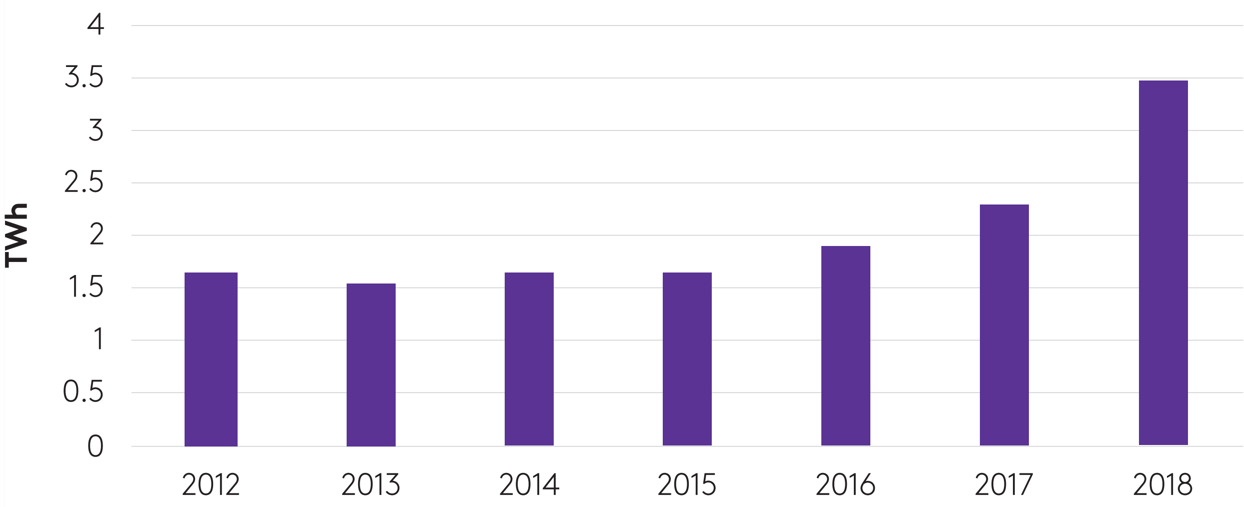
As alluded to, Australia's population is growing, which could exacerbate the issues shown in Figure 8. Over the last decade, the population increased by 17.9% to nearly 25 million people.[27] Australia is forecast to be one of the fastest-growing countries in the developed world, increasing in population to 40 million by 2050,[28] and, rising with it, the potential for greater energy demand.

- **Shift in attitudes:** Energy customers, consumers and investors are becoming much more discerning regarding the impact of their consumption and investment. 90% of Australians expect their superannuation and other investments to be invested responsibly and ethically.[29]

Corporates, governments and other large energy users also understand that their customers and constituents expect them to consider their environmental impact. Nearly half (46%) of big businesses in Australia currently use renewable energy[30] with Unilever, Mars, Telstra, BlueScope, Coca-Cola Amatil and ANZ as just a few examples – all of which have signed power offtake agreements with Australian renewable energy projects in the last few years. This shift in attitude is shared among other non-profit and governments with the University of Melbourne, the University of Queensland, Victoria (via the VRET), Queensland (via the Renewables 100) and the ACT also committing to power offtake agreements with Australian renewable energy projects. As shown in Figure 9, this trend has accelerated over the past three years.

[26] Australian Bureau of Meteorology, Annual Climate Statement, 2019
[27] Business Insider, Here's how Australian population growth compares to other nations, 2018
[28] Population Australia, Population growth of Australia, 2018
[29] Responsible Investment Association Australasia, Growing consumer demand for ethical investing, 2017
[30] Guardian, Almost half of Australian big business moving to renewables, 2018

Figure 9: Corporate support for renewable energy generation in Australia[31]



More generally, the Australian public is becoming more discerning about how energy is generated, and this impacts their preferences. Most Australians are willing to pay a premium for products or services made with renewable energy.[32]

80%
Australian consumers believe big businesses should be using more renewable energy

76%
would choose a product or service made with renewable energy over a comparable one that wasn't

64%
would pay a premium for products or services made with renewable energy

[31] Bloomberg New Energy Finance, 2018
[32] ARENA, The Business of Renewables, 2017

3.3. Specific Deal Pipeline

OR Australia has commenced discussions with a range of Solar PV developers to capitalise on the market opportunity in Australian renewable energy

With the market opportunity described, OR Australia is sourcing, screening and performing due diligence on a number of projects. OR Australia's deal pipeline listed below consists of live, well-qualified investment opportunities located in Victoria, New South Wales, Queensland, South Australia and Western Australia. The team is progressing talks on a diverse pipeline to put through the stringent OR Australia due diligence process (See Section 8). OR Australia is in continuous contact with these developers and has had constructive discussions including submitting initial non-binding offers and progressing due diligence in many cases. The Company's pipeline of assets will evolve as each project is put through OR Australia's deal selection process (as set out in Section 8.1).

Table 2: Pipeline of investment opportunities[33]

State	Project Status	Capacity MW (AC)	Potential Investment Value AUD$ (millions)	Estimated financial close/start of construction
New South Wales	In a process	90	126	Q2 2020
New South Wales	Lead	90	126	Q2 2020
New South Wales	Lead	19	27	Q2 2020
New South Wales	Offer submitted	38	53	Q3 2020
Victoria	Lead	36	50	Q3 2020
South Australia	Offer submitted	6	8	Q3 2020
South Australia	Offer submitted	6	8	Q3 2020
South Australia	Lead	30	42	Q3 2020
New South Wales	Lead	15	21	Q3 2020
Queensland	Lead	38	53	Q3 2020
Total		**368**	**514**	

[33] The investment opportunities in Table 2 are potential investment opportunities for the Company identified as at the date of this Memorandum and may change from time to time. The Company may not proceed with any of these opportunities.

4. Early Stage Innovation

4.1. Early Stage Innovation Company

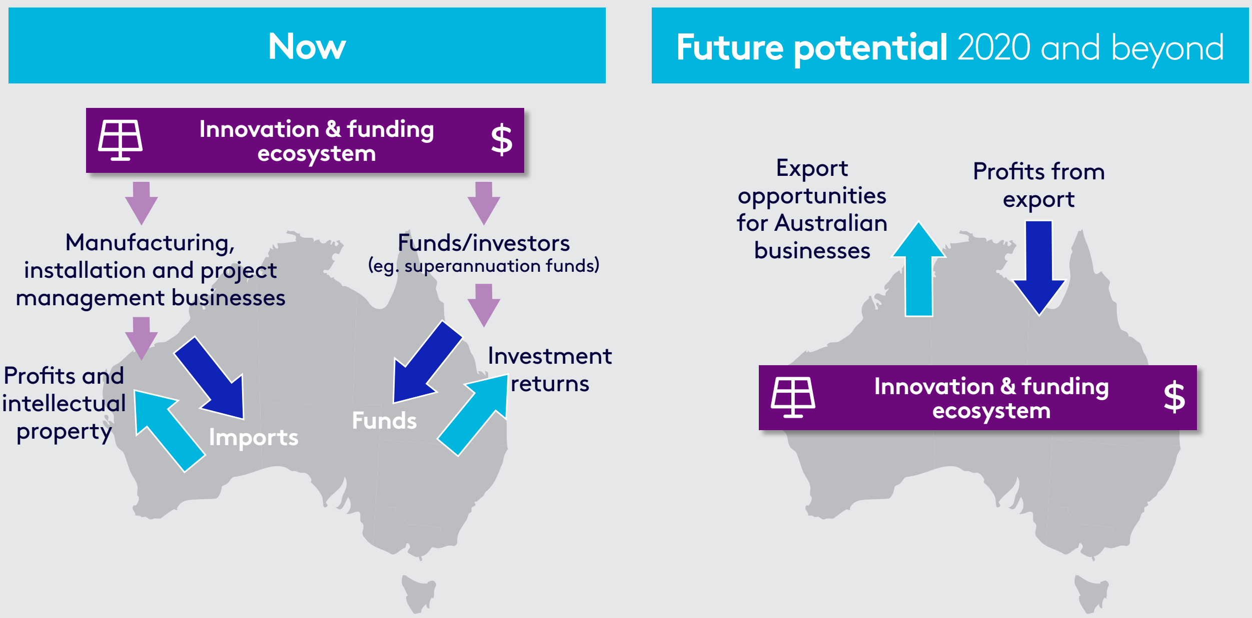
Through the National Innovation and Science Agenda, released in 2015, legislation was drafted that enabled investors in early stage companies to benefit from tax benefits, should the company qualify.

As an asset manager with one of Europe's largest venture teams, the Manager is aware of the potential that smaller businesses have. Those that innovate have high growth potential and, while they represent a numerically small segment of the economy, they are disproportionally important. It is from among their ranks that the future market leaders will emerge, capable of competing globally and significantly adding to the country's future economic prosperity. Such firms need investment and support to help grow and scale up the business over the longer term. The Early Stage Innovation Company ("**ESIC**") legislation offers that support.

Although the innovation for some significant new technologies is developed in Australia, often the intellectual property (IP) and subsequent investment returns are exported internationally, to the benefit of foreign investors. Octopus is seeking to change this model by moving the industry towards a system where domestic funds are used to grow and develop businesses in Australia that can take advantage of this innovation, creating Australian economic value and jobs in the process. This is illustrated in Figure 10:

Figure 10: Australia and innovation

Bringing innovation and funding into Australia



For qualifying companies, the Australian Government offers tax incentives to drive investment into those businesses that are in most need of it, and that are most capable of capitalising on their technology. The legislation creates a fantastic opportunity for Australia to commercialise ideas and export them globally. To recognise the importance of this for growth, and to help Australia compete on a global stage, investors are awarded some significant tax incentives:

The following tax incentives should be available for eligible early stage investors in the Company:

- **20% non-refundable carry forward tax offset** at the outset for investors who invest in the Company. Specifically, investors may receive a non-refundable carry-forward tax offset of 20% of the value of their investment, subject to a maximum offset cap amount of $200,000; and
- **Exemption for any capital gains realised on the investment**, but without access to any losses realised on the investment. Specifically, investors may disregard capital gains realised on shares in the Company that have been held for between one and 10 years. Investors must disregard any capital losses realised on shares held less than 10 years.

See Appendices D for further information regarding the eligibility of Investors.

4.2. Octopus and tax-efficient investing

As the largest provider of tax-efficient investments in the UK, Octopus is used to working with the Government and Treasury to channel money to where it's most needed

In the UK there are similar incentives offered to that of the Early Stage Innovation Company legislation. Through Venture Capital Trusts ("**VCT**"), Enterprise Investment Schemes ("**EIS**") and Business Property Relief ("**BPR**"), each of which Octopus is the leading provider of, the UK offers considerable tax breaks for investing in certain areas of the economy. It is with this wealth of knowledge in utilising existing legislation and collaborating with the Australian Government agencies that Octopus ESIC has been launched. With rules based on similar legislation in the UK, Octopus ESIC looks to replicate and adapt this strategy, to channel money into Australian renewable energy construction.

In June 2019, Octopus successfully closed it's first ESIC fundraise. Shares were issued and investors were able to claim their tax relief in the following weeks as their tax returns were completed. Investors' funds are close to being deployed in a construction ready solar project.

4.3. Innovation and Renewable Energy

Australia is blessed with some of the best resources for renewable energy. Supported by research, Australia has the opportunity to be a global leader in clean energy technology.

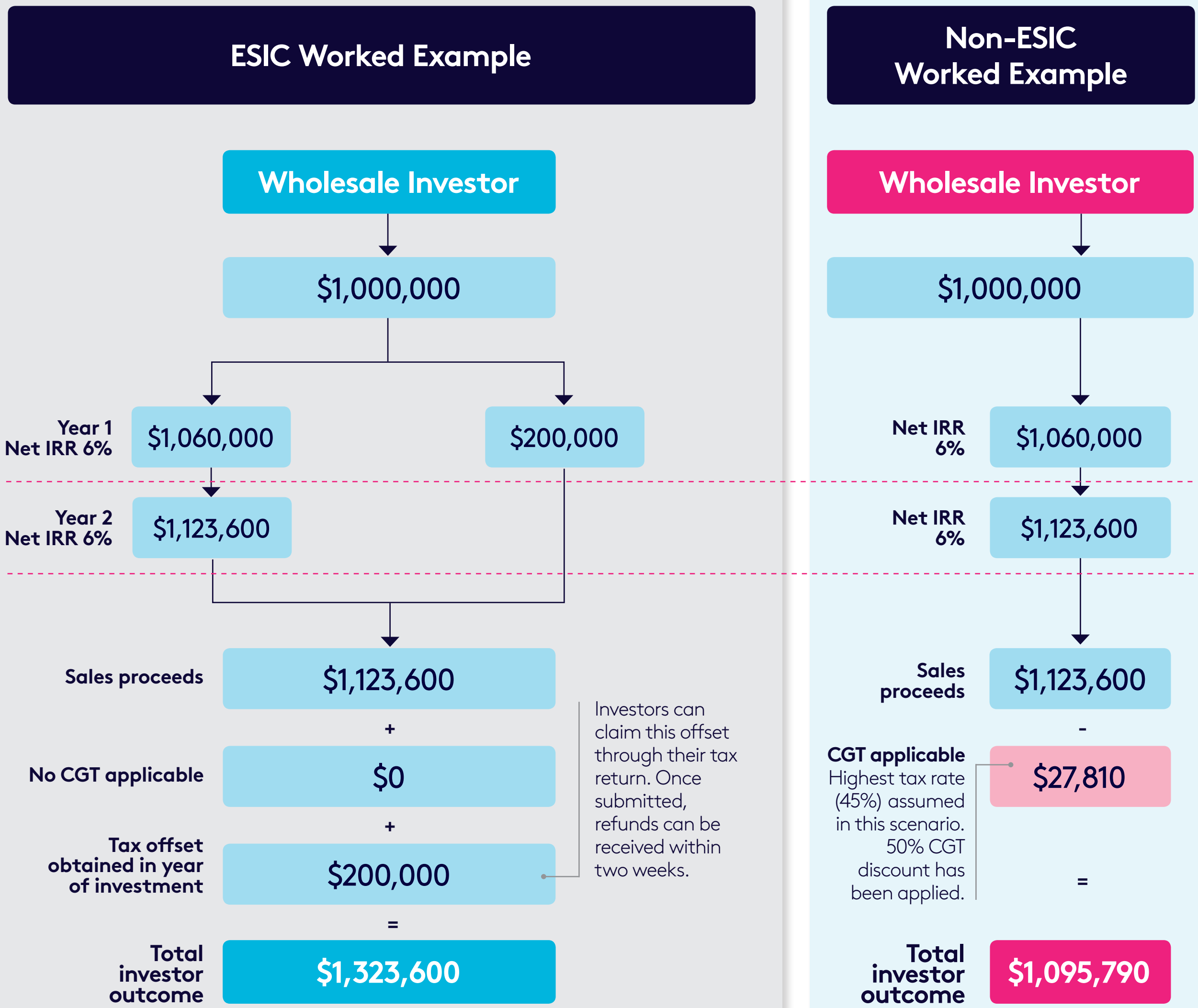
With the likes of the Australian Renewable Energy Agency ("**ARENA**"), the School of Photovoltaic and Renewable Energy Engineering at the University of New South Wales and the University of Melbourne's Melbourne Institute for Energy, to name but three, there is a significant amount of work underway in accelerating Australia's shift to affordable, reliable renewable energy, and the advancement of technology.

OR Australia, with its breadth of renewable experience, is looking to utilise some of the advancements to deploy on Octopus ESIC's Solar PV project. The mandate of what the Manager is looking for is new technology that will offer the ability of enhancing performance onsite, through either yield enhancement, i.e. generating more energy, or reducing costs. This technology will be used on a subset of the site in a controlled manner. Having developed a strong pipeline of technology innovators that could have been commercialised by Octopus ESIC, OR Australia is well positioned to deploy technology of this nature.

4.4. Figure 11: ESIC vs non-ESIC worked example[33]

Figure 11 shows the impact that the ESIC tax benefits have on an investor's total outcome from their investment. Importantly, the 20% tax offset can be claimed once the tax return has been completed, and investors will not have to wait the duration of the investments Term.

Figure 11: ESIC vs non-ESIC worked example



[33] Tax benefits are only available for eligible investors. Octopus cannot provide financial advice, and recommends Potential Investors seek advice that takes into account their specific circumstances.
The worked example assumes that both the full tax offset and tax-free capital gain benefit will be applicable to the Investor, which may not be the case.
The Company needs to qualify as an ESIC, as at the time Shares are issued in the Company.
The example for the non-ESIC worked example is based on an individual that pays the highest marginal rate of tax for the Capital Gains Tax ("CGT") due.

5. Octopus Group

5.1. Octopus Group

Independent, multi-strategy investment manager with $15.5 billion of funds under management

The Manager is an Australian incorporated subsidiary ultimately owned by Octopus Capital Limited, a private UK company, and collectively, along with other subsidiaries is "**Octopus Group**". Octopus Group is an independent, multi-strategy investment management platform, founded in 2000, with over 800 employees in its offices in London, New York, Melbourne and Sydney. The executive directors of Octopus Group are **Simon Rogerson** (Founder and Chief Executive Officer), **Chris Hulatt** (Founder and Group Head of Strategy) and **Alistair Seabright** (Head of Alternative Investments). In addition, the board of directors include the three non-executive directors **Matt Cooper** (Chairman), **John Browett** and **Rob Devey**.

Octopus Group has $15.5 billion of funds under management invested across energy, healthcare, real estate, property lending, venture capital and small-to-mid-sized companies.[34]

Octopus Group has expanded from its core retail financial product range in recent years and has strengthened its relationships with institutional investors, who now account for over 20% of its investor base and $4 billion of assets over a range of strategies.

Octopus Group has been majority owned by the founders, their families and Octopus staff since inception, through their shareholdings in Octopus Capital Limited.

5.2. Octopus Group Investment Principles

Long-term outlook focused on creating value in selected markets with a considered approach

Octopus Group's investment principles have been critical to its differentiated approach to investing, as well as its success and growth in recent years. These principles have been adopted across business lines and are focused on:

- investing for the long term;
- gaining a deep understanding of a few chosen markets to identify investment opportunities; and
- creating real value by transforming markets.

Octopus Group, as a prominent backer of growth businesses, long-standing funder of healthcare infrastructure and one of Europe's largest investors in renewable energy, enters both outdated and rapidly changing markets to develop businesses, investments and solutions to reshape those markets. With regards to energy, Octopus Group has a proven track record of helping accelerate the development of local renewable energy markets by providing flexible funding opportunities to support the development and construction of energy assets.

The Manager believes that its operations and investments should incorporate a responsible and considered approach that considers the interests of Shareholders, stakeholders in its investments, portfolio undertakings and the consumers of the goods and services of the businesses supported by Octopus Group. Environmental, social and governance ("**ESG**") issues are of fundamental importance to Octopus Group. Octopus Group has developed group and business level policies to identify and manage ESG issues across all aspects of the Manager.

[34] Octopus Investments, June 2019

5.3. Octopus Renewables
Leading investment management team in the solar and onshore wind sector

Established in 2010, OR is the specialist energy investment management team within Octopus Group. OR primarily focuses on sourcing, funding, implementing and overseeing construction and operation of renewable energy assets, with a market leading position in Solar PV, amongst others. OR has grown significantly and is now one of the largest specialist energy investment management teams in European solar[35] and UK onshore wind, with a portfolio of over $3.6 billion, or over 1.4GW of installed generating capacity. In addition, OR manages biomass, landfill gas, reserve power and ground source heat pump assets, taking the total assets under management to over $5.1 billion, or c2.3GW of installed capacity.

Similar strategies to the proposed Company strategy have been deployed multiple times since the inception of OR.

With the experience of funding more than 160 solar PV sites, predominantly through construction or at an operational stage, OR has successfully deployed similar strategies numerous times. Most recently, Dacia Energy Limited was acquired pre-construction and held through a period of energy generation, creating an operational track record and delivering a 9% Gross IRR to investors. Suvana Limited employed a similar strategy of financing construction through to operations and delivered a gross IRR of c9% to investors. Further details of these transactions are listed in Section 7.2.[36]

5.4. The Manager and OR Australia
Highly experienced management team spanning investment and asset management

Octopus Investments Aust Pty Ltd ("**Manager**") is a corporate authorised representative of Equity Trustees Limited (AFS Representative No. 240975) and will be appointed to manage the Company and its assets. The Manager will have overall responsibility for the Company's investments and will be authorised to select the investments of the Company and to arrange for the Directors to make those investments.

Eleven members of OR are now based full time in Australia, in Melbourne and Sydney, as OR Australia. The Manager benefits not only from an experienced team on the ground but through additional support from over 60 employees in the London-based OR team, three of whom sit on the Octopus Investments Australia Investment Committee ("**OIAIC**") overseeing transactions for the Manager (see 5.5 for further information on the OIAIC).

OR Australia's investment team is headed by **Sam Reynolds** (Managing Director), and includes **Harry Manisty** (Head of Investments), **Iain McClea** (General Counsel) **Jonathan Filbey** (Senior Investment Manager), **Andrew Walton** (Investment Director), **Kate McClure** (Commercial Asset Manager), **Tim Johnson** (Technical Asset Manager), **Mike Jefferies** (Senior Investment Associate) and **Jessica Gumley** (Investment Associate).

[35] Including solar PV and onshore wind assets located in France and Italy.
[36] Returns have been rounded to the nearest whole number

5.5. Octopus Investments Australia Investment Committee

The Octopus Investments Australia Investment Committee has been established to make the final decisions on new investment opportunities and fund allocations presented to it by OR Australia's investment team.

The overriding role of the OIAIC will be to ensure that all proposals are in the best interests of Shareholders, within the Company's mandate and that all statutory, regulatory, fiduciary and contractual obligations are met.

For any proposed investment, the OIAIC will consider (among other factors):

- The risks being assumed by the Company in making the investment and the targeted returns;
- The investment mandate of the Company and the suitability of the investment to the Company with reference to the investment management agreements;
- The resulting exposures in the Company given counterparty, currency, wholesale energy markets and other risks; and
- The existence of any conflicts of interest and the steps being taken to mitigate these.

The OIAIC must comprise a certain minimum number of people in order to be quorate and will be required to vote in favour of a proposal for it to be approved. Other than the members of the IC and the team presenting the proposal, there may be other attendees at the meeting in the role of observers. Observers may make comments, engage in any debate and offer suggestions. However, observers do not have a vote at the meeting.

The OIAIC consists of members of OR and OR Australia with significant energy and renewable energy experience both in Europe and Australia:

- **Sam Reynolds** (Managing Director, OR Australia)
- **Harry Manisty** (Head of Investments, OR Australia)
- **Iain McClea** (General Counsel, OR Australia)
- **Matt Setchell** (Head of OR)
- **David Hastings** (Asset Management Director, OR)
- **Peter Dias** (Investment Director, OR)

Figure 12: OR Australia

5.6. Biographies
Octopus Group

- **Simon Rogerson**
  Founder and Chief Executive Officer

Simon has overall responsibility for day-to-day decisions and for the strategic direction of Octopus Group. Before founding Octopus Group in 2000, Simon spent two years working at Mercury Asset Management. He graduated with a first-class MA in Modern Languages from St Andrews University and is a Chartered Financial Analyst.

- **Chris Hulatt**
  Founder and Group Head of Strategy

Chris is responsible for Octopus Group's expansion into new areas. He is also on the investment committee of several Octopus Group funds. Before founding Octopus Group in 2000, Chris led one of the global equity research teams at Mercury Asset Management. He has a first-class MA in Natural Sciences from Cambridge University and is a Chartered Financial Analyst.

- **Alistair Seabright**
  Chairman of Alternative Investments

Alistair oversees the alternative investment businesses, having joined Octopus Group in 2010. He also sits on the board of directors of the Octopus Group. Alistair's financial services experience includes 10 years at SG Warburg (now UBS) in London, Tokyo and South Africa, managing an alternative asset management business investing in Japan and co-founding an agency broking business for the Man Group. He has also worked for Chase Manhattan Bank, Phillips and Drew and James Capel. Alistair graduated from Cambridge University and has been a board member of several private companies.

- **Matt Cooper**
  Non-Executive Chairman

Prior to joining Octopus Group, Matt was the principal managing director of Capital One Bank (Europe) plc, where he was responsible for all aspects of the company's strategic direction and day-to-day European operations. He led the UK portion of the business from inception to a company with two million customers, generating revenues of over $490 million and employing 2,000 people.

- **Rob Devey**
  Independent Non-Executive Director

Rob Devey joined Octopus Group as an independent non-executive director in October 2013. Most recently, Rob was the chief executive officer of Towry. Prior to this, Rob was an executive director of Prudential plc and chief executive of Prudential UK and Europe from 2009–2013. He joined Prudential from Lloyds Banking Group where he worked from 2002 in a number of senior leadership roles across insurance and retail banking. Rob was also previously a consultant with the Boston Consulting Group in the UK, US and Europe. Rob is Chair of the London Advisory Board of Business in the Community.

- **John Browett**
  Independent Non-Executive Director

John has a wealth of experience in the retail sector, having worked with a number of household brands, which most recently led to his appointment as chief executive of homewares store Dunelm. He was previously chief executive at Monsoon Accessorize and, prior to that, Dixons Retail, with a stint in between at Apple as head of retail. During his time at Dixons Retail, he was responsible for major improvements in customer service, helping the business to shape its post-internet retail offering. Prior to this he worked at Tesco plc in a number of roles, including acting as chief executive of Tesco.com and in a group operational role where he focused on improving service and productivity. John is also currently a non-executive director at EasyJet plc.

OR Australia

- **Sam Reynolds**
  Managing Director

Renewable energy and investment experience: 19 years. Sam joined Octopus Group in 2012. Sam has overall responsibility for the strategic direction and day-to-day running of the Octopus Australia team. Before relocating to Australia, Sam was head of the OR team in London and has led over $2.1 billion of investment into UK and European renewable energy assets, structuring both primary and secondary transactions. Previously, Sam worked at Elders Group and in the corporate lending team at ANZ Banking Group in Australia. After moving from Australia to the UK, he spent eight years working in corporate finance, specialising in the energy and technology sectors with Edinburgh-based and London-based Execution Noble Group. Sam holds a Bachelor of Commerce degree from the University of New England.

- **Harry Manisty**
  Head of Investments

Renewable energy experience: 11 years. Harry joined Octopus Group in May 2014. He is primarily responsible for evaluating and arranging investments in new renewable energy projects. Before joining Octopus Group, Harry spent two and a half years in the Environmental Finance team at Ernst and Young, mainly assisting large energy consumers implement multi-national renewable energy procurement strategies. Prior to working at Ernst and Young, Harry was at PwC and had various roles including as a transactions tax advisor in the energy sector, an entrepreneurial company's tax advisor and an international climate change policy consultant.

Harry has a first-class degree from Warwick University in Accountancy and Finance and is a qualified accountant.

- **Iain McClea**
  General Counsel

Iain joined Octopus Group in June 2016 as head of legal of the UK Energy Investments Team. Iain supported the UK team on the management of its £2.6b energy portfolio and with new investments. Prior to joining Octopus, Iain worked at Lightsource BP from 2012 where he assisted with the development of over 1GW of solar projects in the UK and Europe.

Iain's background is in energy M&A, construction and project finance having worked for law firms in New Zealand and Norton Rose Fulbright in the UK.

- **Andrew Walton**
  Investment Director

Renewable energy experience: 6 years. Andrew joined Octopus Group in 2016 having previously worked as an M&A investment banker in Melbourne from 2007. He has had various roles across Octopus Group, including as a Senior Investment Manager within the Octopus Healthcare Trusts (Private Equity) team, and as Portfolio Manager in the Specialised Finance team. Within Australia, Andrew has advised across a range of industries including the infrastructure, power, industrial and technology sectors. Prior experience includes working at Macquarie Capital, Caliburn (now known as Greenhill) and Orion Corporate Advisory Services.

Andrew has an LLB (Hons) / Bcom (Hons) from The University of Melbourne.

- **Jonathan Filbey**
  Senior Investment Manager

Renewable energy experience: 6 years. Jonathan joined Octopus Group in 2013. He is responsible for product development and overseeing day to day delivery of Octopus managed investments. Since joining Octopus, Jonathan has worked on c$1.4 billion of utility scale solar debt and equity financings across tax advantaged retail as well as institutional funds. Prior to Octopus Group, Jonathan worked with Deloitte Corporate Finance Advisory where he qualified as a Chartered Accountant.

Jonathan has a BA from Columbia University and a MBA (Distinction) from Oxford University.

- **Kate McClure**
  Commercial Asset Manager

Renewable energy experience: 5 years. Kate joined Octopus Group in March 2014, having previously worked six years in the Private Clients tax team at PwC in Sydney advising high net worth individuals and their private businesses. She has had various roles across Octopus Group, including as Commercial Asset Manager of the Reserve Power portfolio in the OR team, and as Finance Manager in both the Specialised Finance team and OR team. Within Australia, Kate will be responsible for the asset management of renewable energy products.

- **Tim Johnson**
  Technical Asset Manager

Renewable Energy Experience: 9 years. Tim joined Octopus Investments in 2019 and is responsible for the technical aspects of Octopus's Australian projects. Before joining Octopus Tim spent two years managing the design, construction and commissioning of several large scale solar farms in Australia. Prior to this Tim worked for DNV GL, providing technical advisory and asset optimisation services to wind and solar projects across Australia, Asia and the UK.

Tim holds a Bachelor in Aerospace Engineering (1st class Hons).

- **Mike Jefferies**
  Senior Investment Associate

Renewable energy experience: 6 years. Mike joined Octopus Group in April 2013. He is responsible for helping originate, evaluate and deploying capital into new renewable energy investment opportunities. Mike has worked on over $1bn of utility scale solar/wind debt and equity financings across tax advantage retail as well as institutional funds.

Mike has a Bachelor of Science in Industrial Economics from the University of Nottingham.

- **Jessica Gumley**
  Investment Associate

Renewable energy experience: 3 years. Jessica joined Octopus in 2018 and primarily works on renewable energy opportunities and investments in Australia. Previously Jessica was an Analyst in Macquarie Capital's Infrastructure, Utilities and Renewables team in Melbourne since 2015, where she gained experience in the renewables, transport and infratech sectors and also worked with Macquarie's Principal Transactions Group. Jessica holds a Master of Energy Systems and a Bachelor of Environments degree from the University of Melbourne.

OR members on the OIAIC

- **Matt Setchell**

  Head of Octopus Renewables

Matt founded Octopus Renewables in 2008 which grew Lightsource from a start-up to one of the largest solar developers in the world, with over 1GW of new solar projects installed. Matt has since overseen the Renewables team's expansion internationally and into on-shore wind, landfill gas, biomass and reserve power plants.

- **David Hastings**

  Asset Management Director

David joined Octopus in September 2018 as Asset Management Director in the Renewable Energy team. David leads the wind and solar asset management team and supports the evaluation and introduction of new projects. David has worked in the renewable energy industry for over 20 years, including 7 years with Pacific Hydro. During his time at Pacific Hydro, David was responsible for building out the wind energy team and delivered the first commercial wind farm in Australia and followed that up with maintaining a market leading position for delivering Australian wind projects before relocating to the USA on behalf of Pacific Hydro following their acquisition by IFM.

An engineer by training, David has a proven track record in the entire project life cycle, from securing development stage opportunities, negotiating EPC and supply agreements, overseeing construction and operations management. David has successfully delivered numerous wind, hydro, solar and biomass projects in Australia, North & South America, Europe, sub-Saharan Africa and Asia.

- **Peter Dias**

  Investment Director

Peter joined Octopus in 2014 as Investment Director within OR. Peter is director of 10 operating companies and has a significant amount of experience in renewable energy transactions, across solar, wind, biomass and landfill. Prior to Octopus, Peter was Director at Energy Consultivo where he provided transaction advice for acquisitions and development projects.

Peter has a BSC International Business Studies, Finance and Economics from the University of Manchester and is a Chartered Accountant.

OR Australia Advisor

- **Neil Gibbs**

Neil Gibbs advises on the strategic direction of Octopus' Australian business and fund management activities. Neil is a well-known and highly respected professional management consultant who has served the utilities and infrastructure industries in Australia and around the world for over 30 years. Neil specialises in business strategy, market reform and development, business transformation, organisational change management, and is an authority on organisation effectiveness for utilities.

Following an extensive career in global energy markets, Neil now actively supports the decarbonisation of the electricity system, specialising in the evolution of technology, business models, regulations and markets – harnessing the value of innovation and customer engagement to deliver secure, reliable, affordable and low-emissions energy services. Neil is also the Chair of the Clean Energy Council's Distributed Energy Leadership Forum and was the Founding Chair of GreenSync (part of the Clean Energy Finance Corporation's Innovation Fund).

Mr Gibbs is the founder of Marchment Hill Consulting, a leading boutique consulting firm specialising in the Energy and Water industries.

6. The Company, Nominee and Custodian

6.1. The Company

The Company is an Australian unlisted proprietary limited company. The Company is offering interests in fully paid ordinary shares to Australian sophisticated investors or professional investors (as defined in section 708 of the Corporations Act 2001 (Cth)) and intends to use the funds raised for the acquisition, construction and operation of one or more Solar PV power generation projects in Australia (the "**Project**") in Australia (more details in 'Company Objectives' below).

6.2. The Company's business and objectives

The business of the Company will be:

- the acquisition, construction and operation of the Project (detailed in section 8); and
- the development of innovative solar technology for the purposes of increasing the value of the Project and for commercialisation of that technology,

(the **"Business"**).

The objectives of the Company are to carry on the Business, develop and expand the Business, and maximise the value of the Business.

The relevant technology will be sourced by the Manager using its extensive network across the renewables industry in Australia, but also working with a number of universities' research departments.

With Solar PV being an established renewable energy technology there are a number of technological developments that are complimentary. It is this type of technology that will be sourced, developed and commercialised within the Company to be deployed on the Project. The technology will have potential upside to the project through increased yield generation or cost reduction on operations and maintenance of the site. The Licensor and Company will enter into an IP licensing agreement pursuant to which the Licensor grants the Company a sole and irrevocable licence to use the relevant patents and associated know how required to exploit the licenced product.

It is anticipated that the development of innovative solar technology for commercialisation will allow the Company to qualify for Early Stage Innovation Company tax offsets.

The Company anticipates that yield will be provided through the sale of energy via:

a) fixed price energy purchase agreements; and
b) the energy market.

Once the site has an operational track record liquidity will be provided, as described in Section 8.12.

6.3. The Company's Board of Directors

The Company's board comprises Sam Reynolds (details in Section 5.6), Harry Manisty (details in Section 5.6) and Paul Latham.

Paul Latham

Paul is chief executive of Fern Trading, the largest operator of commercial solar in the UK and the country's leading bridge financier, responsible for over $3 billion of assets. He is also a managing director of Octopus Investments, where he has worked since 2005. Paul has had various general management and internal consulting roles across a number of sectors and brings with him a wealth of industry and business experience, stretching over 30 years in multiple organisations. Most recently this has included Brakes, Natwest, Kingfisher and Capital One Bank (Europe) plc, building key elements of the infrastructure as it grew from a start-up business to a company with 2,000 employees.

6.4. The Nominee and Custodian

Equity Trustees Limited (ACN 004 031 298), a licensed entity holding Australian Financial Services Licence 240975, will act as Nominee and Custodian.

The Nominee will hold legal title to the Shares on behalf of the Investors pursuant to the terms of the Nominee Deed as described in this Memorandum. Please see the more detailed description of the Nominee's role in Appendix B, 'Nominee Arrangements'.

The Custodian will hold the subscription amounts paid by each Investor for the Shares issued to it, pending the Company using such amounts to acquire the Project and carry on the Business, and for such other purposes as are permitted by the Transaction Documents.

Equity Trustees was formed in 1888 and currently provides Responsible Entity (RE) and Trustee Services for more than $50bn of funds for c100 managers and superfunds. Equity Trustees Ltd will perform its role as Nominee and Custodian using the qualities, capabilities and experience of its team. Equity Trustee's four executive directors, professional and administrative employees comprising lawyers, accountants, and scheme specific consultants have years of practical and professional experience.

6.5. Equity Trustee's Board of Directors

Equity Trustees' board comprises Philip D Gentry, Harvey Kalman, Michael O'Brien and Ian Westley.

Philip D Gentry
Executive Director (Chairman)
BSc, MBA and Stanford Executive Program, GAICD, A Fin

- Executive Director (Appointed January 2016)
- Chief Financial Officer and Chief Operating Officer of the EQT Group

Philip is the chair of Equity Trustees. In addition to his role as a director of several subsidiary companies in the EQT Group, he is a member of the EQT Group's executive leadership team and is responsible for EQT Group's operational functions in finance, technology, operations, and strategy.

Philip has more than 25 years' experience in leadership positions within financial services, property, agribusiness, logistics, international trade and commodity management. He has previously held positions including Chief Financial Officer of Grocon, Managing Director of Agrium Asia Pacific, Chief Financial Officer of AWB and a number of leadership positions at ANZ Bank in the areas of corporate banking, strategic development, international trade finance and investor relations.

He is a Graduate Associate of the Institute of Company Directors, and is a member of the Financial Services Institute of Australasia, the Greenfleet's Business Advisory Council and the Financial Executives Institute.

Harvey H Kalman
Executive Director
BEc, Grad Dip App Fin & Inv, Grad Dip Acc, CFTP (Snr)

- Executive Director (Appointed June 2016)
- Executive General Manager, Corporate Trustee and Fund Services
- Head of Global Fund Services

Harvey has overall responsibility for the operational compliance of all Management Company (ManCo), Authorised Corporate Director (ACD), Responsible Entity (RE) and Corporate Trustee (Trustee) relationships and joined Equity Trustees as General Manager, Funds Management in January 2000. Harvey oversees the global Funds Services business of Equity Trustees, and has more than 25 years' experience in the financial services industry.

Previous experience includes KPMG, consultant to the Funds Management industry and ANZ Banking Group. Harvey's roles at ANZ included Senior Adviser and Head of Strategy in the ANZ Funds Management area, Manager – Special Projects, Group Risk Management and executive liaison officer for the ANZ Board Risk Management Committee and the ANZ Credit Approvals Committee. He also previously held roles as Deputy Director – Research and Policy at the Australian Society of Corporate Treasurers, Senior Policy Adviser – Environment and Heritage for the Federal Opposition and at Ford Credit in Treasury and Risk Management.

Harvey is a director of several subsidiary companies in the EQT Group and a member of EQT Group's executive leadership team.

Outside directorships/memberships include the Menzies Foundation and Chair of its Board Audit and Investments Committee, and a member of the Bialik Colleges Investments Committee.

Michael (Mick) J. O'Brien
Executive Director
CFA, GAICD

- Executive Director (Appointed July 2018)
- Managing Director of the EQT Group

Mick has broad wealth management experience in superannuation, investment management, insurance and advice, spanning over 30 years in both retail and institutional markets. Mick was formerly CEO and director of Invesco Australia Limited, director of Franklin Global Property Limited, director of Alliance Capital Management Australia and Chief Investment Officer of AXA Australia and New Zealand where he was also a director of AXA's Responsible Entities and Regulated Superannuation Entities.

As Managing Director of the EQT Group, Mick is responsible for the overall management of the EQT Group's activities. Mick is a director of several subsidiary companies in the EQT Group

Mick is qualified as a Fellow of the Institute of Actuaries of Australia and holds the Chartered Financial Analyst designation and a non-executive director of Templeton Global Growth Fund Limited.

Ian Westley
Executive Director
BAgrSc, Dip Fin Services

- Executive Director (Appointed June 2016)
- Executive General Manager, Trustee and Wealth Services - Private Clients

Ian is responsible for developing the strategy for the traditional trustee services business unit of the EQT Group and growing the business in emerging (non-traditional) trustee markets. Over the last four years, he has been involved in the acquisition and integration of the ANZ Trustees and Sandhurst Trustees Estates and Trusts business into the EQT Group's private client business. Previous experience includes roles with the EQT Group as General Manager Private Clients, General Manager Sales and Business Development and National Manager Business Development. Prior to joining the EQT Group, Ian was at Premier Inks (Sales Manager) and Cannon (Sales Representative and Major Account Manager).

Ian is a director of several subsidiary companies in the EQT Group and a member of EQT Group's executive leadership team.

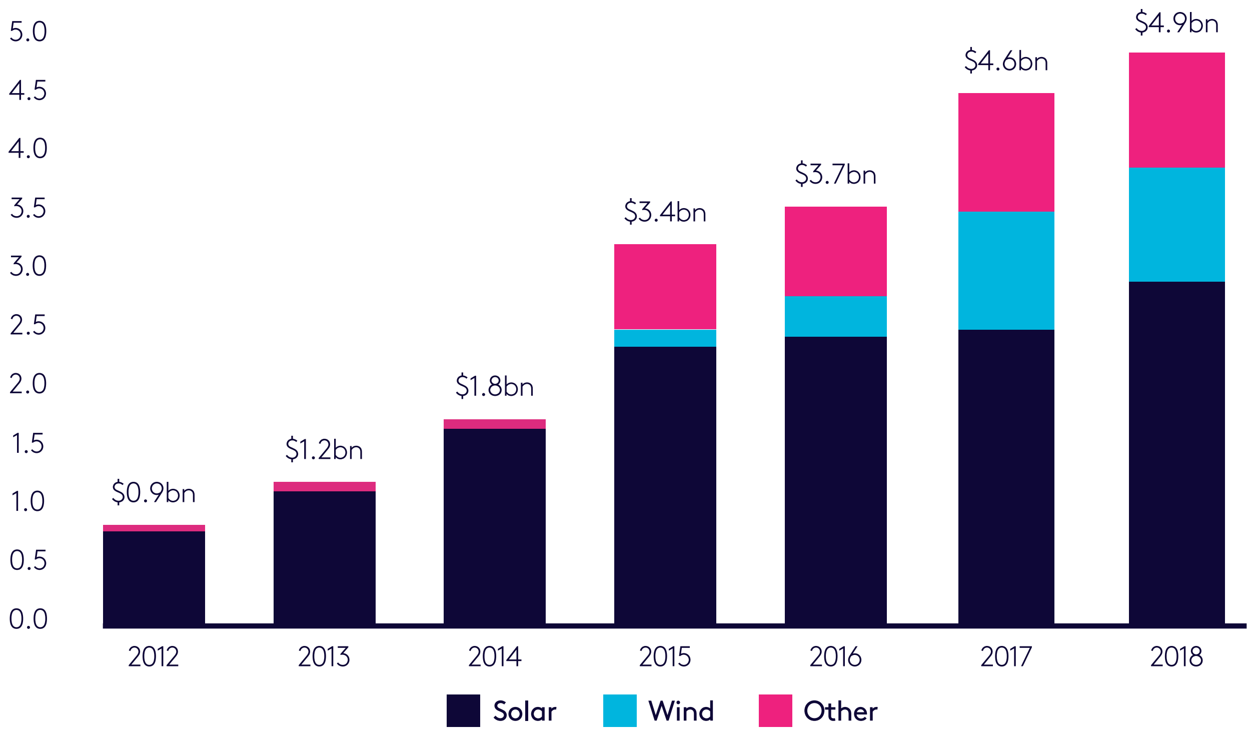
7. OR's track record

7.1. Overview of OR and OR Australia

The OR team of the Octopus Group is a global specialist energy investment management team established in 2010, with a primary focus on sourcing and funding the construction and operation of renewable energy assets. OR has grown significantly since inception and is now the largest specialist energy investment management team in European Solar PV, with a growing and significant onshore wind presence.

OR's origination activities are illustrated in Figure 13, which shows the historic growth of OR's energy portfolio by enterprise value.[37]

Figure 13: Octopus Renewables Assets Under Management ($ billions)



7.2. Financial Performance – UK Solar Construction[38]

Successful construction and consolidation strategy to be deployed in Australian Solar

OR's investment team has acquired over 250 energy sites (including c160 solar sites), with a value of $5.1 billion and total installed capacity of c2.3GW. Core to building the portfolio was financing a disparate collection of solar sites from construction through to initial operations while arranging deep pools of institutional capital to purchase the completed sites as a single portfolio.

[37] See Appendices A for relevant assumptions.

[38] At time of launch, the first Early Stage Innovation Company is yet to have a performance track record, and therefore no past performance on OR managed assets in Australia can be provided. Therefore, an indication of how other similar investments managed by OR have performed abroad has been included.

Table 3 shows OR's most recent track record of solar construction and portfolio consolidation. OR Australia consists of investment professionals that negotiated and led investment into the sites and portfolios set out in Table 3 and who will deploy the same strategy in Australia.

Across OR's solar portfolio, realised investments using this strategy have achieved an average gross IRR of 11.50% across 128 solar sites. These sites vary in size, developer, technology, location and ultimate buyer. The sites have been chosen for illustrative purposes, as they formed part of a strategy similar to that of the Company, which has been implemented across a number of years. Sites were purchased pre-construction, and taken through to operation when they were sold, often to domestic or international pension funds. This strategy was used on Octopus' Enterprise Investment Schemes ("**EIS**") service. Note that EIS required a longer investment term than proposed for the Company, a requirement for tax purposes. See Section 4.2 for more information.

Table 3: UK Solar Track Record – Construction and Consolidation[39]

	Vintage	Project	Total MW	$m	Gross IRR	Description
Individual Sites	2013–16	Elke Solar Limited	12	16	12%	Elke Solar is situated in Orston, Nottinghamshire. The site is capable of producing 11,604MWh of green power every year, enough to power 3,000 homes and saving around 2,947 carbon tonnes. Elke Solar has been under the management of Octopus since January 2014 when construction commenced. The project was sold to a UK pension fund in 2017.
Individual Sites	2013–16	Krieger Energy Limited	19	9	12%	Situated in Romney Marsh, Kent, this site is capable of producing 21,073MWh of green power every year, enough to power 5,546 homes and saving around 5,353 carbon tonnes. Krieger Energy Limited has been under the management of Octopus since June 2013 when construction commenced and began operation in March 2014. The project was sold to a UK pension fund in 2017.
Individual Sites	2014–17	Suvana Limited	11	9	9%	Situated in Thaxted, Essex, this site is capable of producing 10,188MWh of green power every year, enough to power 2,680 homes and saving around 2,588 carbon tonnes. Octopus took this site through construction, on to operation in October 2014. The project was sold to a UK pension fund in 2017.
Individual Sites	2014–18	Dacia Energy Limited	13	9	9%	Situated in Sturry, Kent, this site was capable of powering 3,300 homes. Octopus purchased the site in December 2014 before construction, and the site was then taken through to operation and sold to an Asian pension fund.
Portfolio Sites	2015–17	Sulis Solar Portfolio (10 sites)	48	109	11%	Equity portfolio of shovel ready solar sites built and connected on time to the grid. Sold to a UK pension fund after 2 years of operation.
Portfolio Sites	2016–18	Belisama Solar Portfolio (6 sites)	26	58	15%	Equity portfolio of shovel ready solar sites built and connected to the grid on time. Sold to an Asian pension fund after 2 years of operation.

[39] Past performance is not an indicator of future performance. No representation or warranty is given as to the accuracy, likelihood of achievement or reasonableness of any forecasts or returns contained in the information set out in this document. Any projections mentioned in this document are predictive in character.

7.3. Origination Capabilities and Case Study

Suvana Limited is a recently constructed single utility scale solar site, broadly replicating Octopus ESIC's construction strategy.

OR's reputation and investment track record within renewable energy assets means OR is not only included in major tenders for primary and secondary assets, but reverse inquiries are also made from developers and asset owners seeking a financing partner for a portfolio of sites.

Suvana Limited is a recent example of the investment strategy of taking a single site from construction through to operation, with liquidity provided via a sale to an institutional counterpart. Suvana Limited was an off-market bilateral framework agreement with an international utility scale solar site developer, operations and maintenance contractor and asset manager. Having worked with the developer's team on previous transactions and having seen OR deliver, a bilateral financing agreement was sought.

The developer approached OR with a pipeline of sites around the UK. Suvana Limited involved a negotiated agreement with OR managed funds to purchase the site individually once development work was completed and construction was ready to commence.

Suvana Limited was financed by Octopus managed funds after undergoing project finance bank standard legal and technical due diligence processes.

Once the site had an operational track record and was past key engineering milestones, the site was sold in May 2017 to a UK pension fund that sought exposure to the asset for its remaining useful life of 27 years. Returns to investors consisted of capital appreciation from de-risking the site (i.e. normalising operations) and cashflow from initial operations.

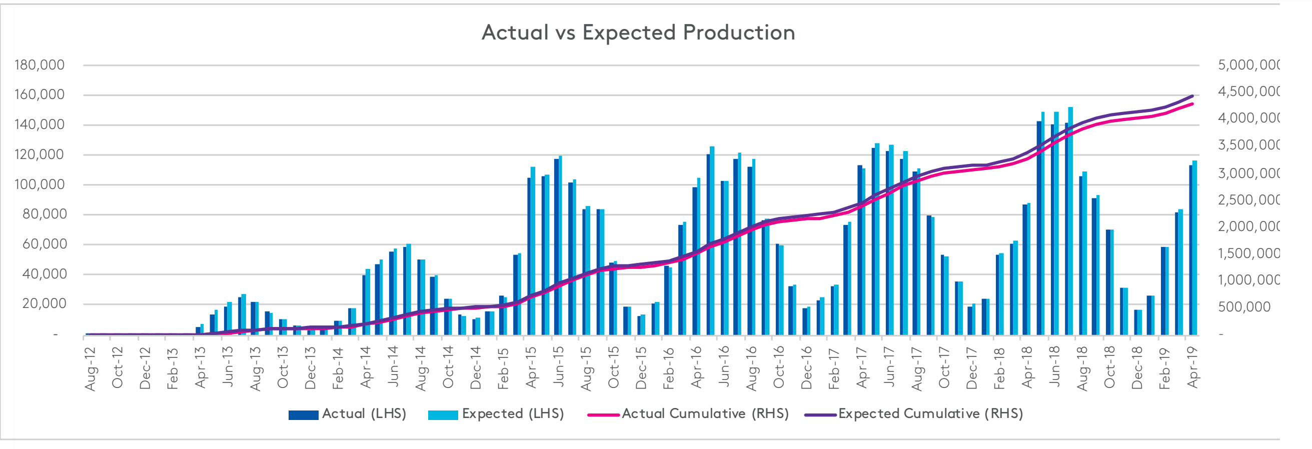
Key members of the project negotiation and implementation (Harry Manisty, Sam Reynolds and Jonathan Filbey) are now part of the OR Australia team present in Australia and based in Melbourne.

7.4. Technical Performance

Predictability of generation demonstrated by long-dated operational track record

Figure 14 shows the periodic and cumulative actual versus expected electricity production of OR's solar PV portfolio from the date of the assets reaching provisional acceptance ("**PAC**").[40] PAC is a key milestone under the construction contract where construction is effectively complete. As demonstrated by the marginal differences between the monthly actual generation compared to target generation, electricity production from Solar PV assets may be highly predictable if combined in a portfolio and managed by an experienced asset management team. The oscillating pattern of the bar charts clearly shows the seasonality of the energy production profile being highly correlated to solar irradiation levels, with high production in summer and low production in winter periods. The increasing cumulative production curve reflects the growth of OR's portfolio over time, with overall output levels increasing as assets are added to the portfolio.

Figure 14: Octopus-managed Solar Assets – Actual vs Expected Production (in MWh)



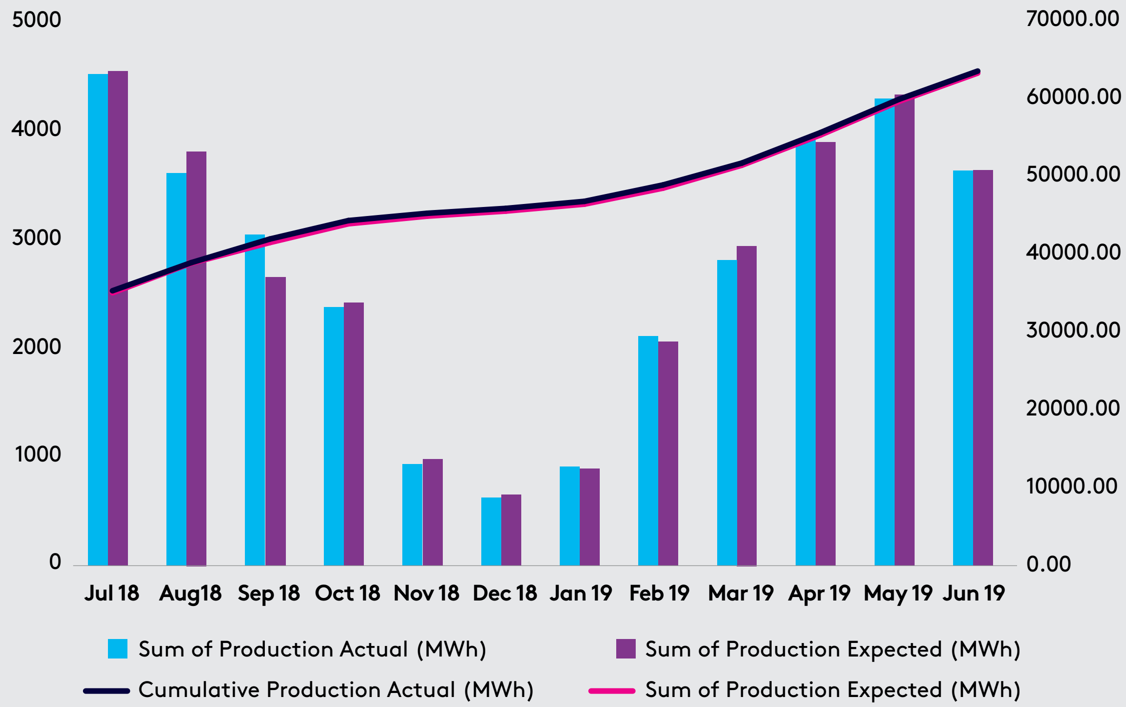
[40] See Appendices A for relevant assumptions

Figure 15: Case Study – Technical Performance Solar: Ermine Street

Capacity (MW)	32
Yield (MWh/MWp)	1,034
Availability (%)	99
Annual Degradation (%)	0.4
PAC	December 2015
First generation	July 2014
Final acceptance	March 2018
Grid connection	33 kV
Distribution network operator	WPD
Inverter manufacturer	Power Electronics
Panel manufacturer	Trina
EPC provider	Grupotec
O&M contractor	Lightsource

The asset consists of 130,000 ground mounted solar panels. Enough electricity is generated each year to save around 30,000 tonnes of carbon per year and power over 8,000 homes.

Monthly Operating Performance July 2018 - June 2019 (in MWh)



Note: Past performance is not an indicator of future performance. No representation or warranty is given as to the accuracy, likelihood of achievement or reasonableness of any forecasts or returns contained in the information set out in this document. Any projections mentioned in this document are predictive in character.

7.5. OR Australia's track record

OR Australia secured its first Australian Project in December 2018. Darlington Point was acquired outside of a fully competitive process, based on an existing relationship with the most experienced solar developer in Australia, a developer, at the time, with 5 projects in construction and operation. At 333MW, and once built, consisting of c1 million solar panels and a 19km perimeter fence, Darlington Point is expected to be the largest Solar PV site in Australia, generating enough power for 130,000 homes. Construction commenced in January 2019 and is expected to be fully operational in Q1 2020.

Octopus was aproached by Edify Energy, having worked with Edify's CEO and Founder, John Cole, during his time at Low Carbon; a UK based renewable energy developer. At the time Darlington Point had only a lease agreement for the land in place. OR were able to utilise the breadth and experience of the team to add value to the development stage. The team were able to assit in obtaining planning permission and an offer to connect into the grid. This had to be completed by a pre-determined deadline due to an existing contractual agreement in place with a corporate off-taker. Should the project had not secured full funding by the deadline, delay penalties would have been imposed.

OR Australia were able to perform bank standard due diligence, across multiple workstreams, to meet tight contractual deadlines with sufficient confidence to mobilise equity and debt fnuding for Darlington Point.

Key Site Parameters

Size	• $450m Enterprise Value • 333MWp • 710 hectares (19km parameters) • Enough energy to power 115k Households
PPA	• 55% of output contracted for 11 years with Delta Energy (owners of Vales Point Power station) • Security provided via corporate guarantee and on demand bank guarantees • Additional PPAs – team currently fielding in bound requests from energy retailers and industrial high energy users
Grid Connection	• Established agreement in place with TransGrid • Connection to the transmission network located on-site • 33 KV substation
Project Finance	• Debt facility provided by Westpac & CBA at financial close with syndication complete
Project Status	• Financial Close in December 2018 • Construction commenced January 2019 • Contractual deadline for operations: Q1 2020

8. Octopus ESIC Investment and Asset Management Strategy

Utilising proven origination, execution and asset management capabilities to construct and manage high-quality operational Australian clean energy infrastructure assets (with a focus on Solar PV), using an element of innovation, Octopus ESIC aims to deliver attractive returns to investors married with tax incentives under the Early Stage Innovation Company legislation.

Figure 16: Lifecycle of a Solar PV transaction

Octopus managed funds

	Deal selection	Construction		Operation and exit	
Time frame	6-8 months	6 - 12 months		1-35 years	
Milestones	Due dilgence, negotiation, investment committee approval, completion	Civil works, mounting structures, solar panel installation and full commercial operations		Producing and supplying energy	
Octopus value add	Quality pipline origination, site filtering, pricing, negotiation	Reputation, relationships and purchasing power	Contractor management experience	Contractor management experience	Asset optimisation, technology, scale

OR Australia will be involved across the lifecycle of the Solar PV transaction as outlined in Figure 14]and brings with it a wealth of experience. As discussed further below, the key activities of OR Australia across the transaction lifecycle are:

- **Deal Selection:** OR Australia will evaluate investment opportunities within a tested and proven investment criteria framework
- **Construction:** The team has experience investing in construction ready assets, managing contractors through construction and utilising its global scale to competitively source top-tier equipment for sites
- **Innovation:** Deployment of an innovative Australian technology through the construction and/or operation of the solar site. An example of the innovative technology has been included in Section 4.3.
- **Operations:** The Manager's approach to operating assets is twofold: managing contractors to efficiently run day-to-day operation of a site, as well as pursuing value enhancement strategies. Value enhancement for the assets looks to optimise performance, incorporate new technlogy and utilise the scale of the wider portfolio to access larger and more sophisticated energy buyers and drive down operating costs.
- **Exit:** In the experience of OR, large institutional investors will support a secondary market for a well-developed asset demonstrating a robust operational history. OR Australia see investors like superannuation funds, insurance companies or endowment funds as natural long-term holders for such assets given their long-term investment horizons and liability matching strategies. Additionally, an IPO will be considered as listed renewable energy funds in the UK, US and Australia are established financial products popular with investors.

DEAL SELECTION

Figure 17: Stages of Deal Selection

Origination / Sourcing	Screening	Due Diligence	Investment Approval	Deal Closure
• Proprietary origination through deep industry contacts. • Leverage network of professional relationships.	• Strict screening to ensure that each deal meets the investment criteria, maximise success and minimise aborted deal costs. • Early involvement of the OIAIC to approve external resources and highlight key features and risk mitigations for deals the team may present.	• Deep in-house renewable energy experience and ability to assess projects. • Supported by a suite of project finance standard due diligence.	• Final review of key due diligence findings. • Deals presented to the OIAIC for final approval. • Stringent assessment of investment risk-reward and risk mitigants.	• Deal team negotiates terms within framework approved by the OIAIC. • Legal documentation and tax structuring. • Third-party and regulatory approval and disclosure requirements. • Signing authority checklist. • Agreed publicity. • Integration with the asset management team.

8.1. Origination / Sourcing

Acquisition of top-tier construction ready and operational assets.

OR Australia is actively monitoring the renewable energy market to source investment opportunities for the Company. OR Australia expects that many such opportunities will come from the strong relationships that OR has with potential sellers, advisers, developers, operators and construction contractors. These deep-rooted relationships, combined with a reliable and proven execution track record, are expected to result in the following benefits:

- **Visibility of pipeline assets:** OR's broad network, comprising most asset owners, and active relationship management gives OR Australia good visibility of the size and timing of acquisition opportunities expected to come to market.
- **Early access to opportunities:** OR Australia engages with asset owners on a frequent basis, understanding potential sale intentions at an early stage. In addition, OR's track record of deal completions means that, in competitive processes, OR Australia is often high on the list of potential acquirers for a competitive asset and is usually one of the first investment teams in the market to have sight of a potential transaction.
- **Bilateral pipeline opportunities:** Early access to opportunities and OR's strong market reputation can also combine to provide OR Australia with the opportunity to take a deal off-market before a competitive process is commenced, allowing the Manager to acquire assets directly from developers and other sellers on a bilateral basis.
- **Deal certainty:** OR Australia believes that its strong relationships increase deal certainty and efficiency, lower acquisition costs and potentially improve pricing for the Company and its investors.
- **Pricing:** Early access to multiple deals allows OR Australia to continuously review and analyse its internal pricing benchmarks, allowing it to remain competitive while still able to secure potentially attractive deals for the Company and its investors.

8.2. Screening:

When screening potential deals for the Company, regular updates to the OIAIC are provided to authorise expenditure and give transparency to the OIAIC. This will consist of the team's progress through the pipeline, key features and risk mitigations the team are working through. In general, the OR Australia team considers the following criteria in order to maximise success and minimise aborted deal costs:

- **Technology:** Solar PV opportunities will be the focus of the Manager as it is one of the most mature and established renewable energy technologies. Forecast electricity generation can be highly reliable, as demonstrated by the long-dated operational performance track records and historical solar irradiation datasets.
- **Location:**
  - The Manager will focus on projects located across Australia, predominantly those participating in the NEM (Queensland, New South Wales, Victoria, Tasmania and South Australia). The Manager may also pursue attractive opportunities in other states on an opportunistic basis.
  - Within a given state the Manager will consider the location of the site on the transmission and if relevant distribution grid and how this may impact losses and curtailment of a site.
- **Stage of Development:** A transaction will not be ready for investment by the Company until all facets of development are completed. During an initial screening, these include:
  - **Land:** To what extent unincumbured and exclusive rights are secured to the land where the site will be built (leasehold or freehold interest).
  - **Planning:** The status of a planning application with the local council. If planning is granted, then what (if any) conditions are attached to the approval and to what extent those conditions fully satisfied, accounted for in the design of the site or not overly cumbersome.
  - **Grid:** The status of a connection agreement with the relevant network operator and to what extent any upgrade works are required to accommodate the project. Performance conditions for the site will be analysed in depth. The team will not invest in assets where grid performance requirements are not yet confirmed with the energy market and grid network operators.
- **Returns:** OR Australia will evaluate each deal against the post-fee targeted net returns for the Company and how any identified risks could impact those returns.
- **Deal Structure:** The team will consider the sales process being run for the site (e.g. a formal auction process or a bilateral agreement) and how that may impact chances of success as well as pricing/returns and contract terms.

8.3. Due Diligence

A consistent and rigorous project finance, bank standard, due diligence process is applied to each investment opportunity and will consist of:

- **Legal Due Diligence** examines both the 'Stage of Development' (as described in section 8.2) to ensure the site is fully permitted to operate as well as the suitability of key contracts for the construction and operation of the site.

  OR has developed a suite of industry standard construction and operational contracts which have been diligenced by project finance banks as well as UK and international pension funds. Such contacts form the basis for OR Australia's Legal Due Diligence exercises.

- **Commercial Due Diligence** While OR Australia regularly works with multiple providers of power price and loss factor forecasts, the investment team has developed its own in-house stress tests and core assumptions to ensure that expected returns are based on appropriate and balanced forecasts.

- **Technical Due Diligence** examines the design and equipment used on the site to assess the viability and forecast operational performance of the site over its useful life. The Manager will focus on projects sourcing equipment from top-tier suppliers with the requisite warranties and guarantees in place. In addition, OR Australia will work with the wider OR team to ensure existing supplier relationships and lessons from experiences are incorporated into the project.

- **Grid Due Diligence** examines a project's ability to secure and fully utilise a connection to the electricity grid. A critical aspect of the project, the Manager engages with specialist grid connection advisors to focus on the following core aspects:

  - **Engineering** – examining the design of the plant and its compatibility with its connection point on the electricity grid;

  - **Loss Factors** – understanding a site's location on the grid and how other planned and potential future developments will impact the ability of the grid to fully accept the site's generation; and

  - **AEMO relationship management** – understanding the experience of the engineering team building the site in working with AEMO to ensure commissioning tests and information requests are promptly met.

- **Counterparty Due Diligence** looks at the contractual obligations and protections of each agreement associated with the site as well as the credit quality of the businesses standing behind those agreements.

  Top-tier contractors are anticipated to be engaged to operate the projects and provide availability and performance ratio warranties during the term of the contract.

- **Financial/Tax Due Diligence** examines the historic financials of the assets to ensure works carried out to date are properly reflected in the accounts and that any liabilities, both actual and contingent are priced into the value of the site and that all tax returns are filed and up to date.

- **Insurance Due Diligence** The insurance policies proposed for the project will be examined to ensure that they offer comprehensive cover and squarely accommodate site specific risks (local flooding and fire risks, for example).

- **Financial Model Due Diligence** The returns available to investors in clean energy projects are calculated using a detailed financial model of the site. A specialist modelling consultancy will review every calculation within this model to ensure there are no errors.

- **In-house Expertise** OR Australia's investment team consists of individuals with a deep understanding of the clean energy market. In addition, members of the wider OR team consist of chartered engineers (industrial, civil and chemical), solar energy technology experts, Merger and Acquisition tax specialists, specialist renewable energy lawyers and electricity grid specialists and will be available to the OR Australia team to assist with due diligence.

8.4. Investment Approval:
The Investment Process for OR Australia consists broadly of two key phases:

- **Approval in Principle ("AIP")** Once OR Australia's investment team has originated a potential opportunity for the Company, screened the site initially for its appropriateness and commenced negotiations with a seller, the team will prepare an investment paper which will seek an AIP from the OIAIC. The paper outlines the transaction opportunity and its appropriateness for the Company's strategy, details the process and status of negotiations with the seller. The investment paper also presents the due diligence plan the team intends to carry out. The granting of an AIP by the OIAIC authorises the third-party due diligence costs.
- **Final Investment Decision ("FID")** The investment team will then present the results of the due diligence process and seek approval to, continue with and, complete the transaction. The OIAIC will typically focus on key points raised by the due diligence findings, final deal structure, transaction terms, deal status, timing and negotiating tactics. The OIAIC will then issue an FID and, if positive, will provide feedback on pricing, risk and return expectations. OR Australia will then proceed to negotiate final terms with the vendor within the framework approved by the OIAIC. The OIAIC will remain involved in discussions in respect of a potential investment opportunity, even after the issue of an FID, and will issue further FIDs if the terms of the transactions change.

8.5. Deal Closure:
When an FID has been received, the deal team will seek to finalise the transaction within the framework set out by the OIAIC and prepare the transaction for completion. This includes:

- finalising all contracts and financing agreements;
- obtaining third-party and regulatory approvals (if required);
- signing authority checklist;
- agreeing publicity; and
- finalising detailed handover and on-boarding processes.

During the transaction process, a member of the OR Australia's asset management team will be involved to ensure that the investment is seamlessly integrated into the asset management process.

CONSTRUCTION

8.6. Experienced Construction Financer

Members of OR Australia negotiated and oversaw the construction financing arrangements for OR's solar portfolio in Europe, Australia and the transactions detailed in 7.2.

In addition, through its global solar portfolio, OR is a customer of many manufacturers of equipment used on solar sites. As such, OR Australia anticipates it will be able to negotiate preferential pricing for key equipment components (including panels, inverters, mounting structures and transformers).

8.7. Construction and Contractor Management

The construction programme of works for any site is very important as the success and timely delivery of key milestones are key to delivering investment case returns to investors. OR Australia will be responsible for monitoring the construction process and ensuring that key milestones are met, payments are promptly made and most importantly that risk protections of the contracts are working in practice and compensate for any delays and/or cost overruns.

To assist, the team will employ an engineer ("**Owner's Engineer**") to represent the Company, regularly visit the construction site, be in constant contact with engineering contractors, monitor works which are being conducted onsite and report back to the team on any issues which need to be addressed. OR Australia's investment team are experienced in sourcing and hiring Owner's Engineers for works and are presently in contact with local and international firms with an Australian presence which can provide these services.

8.8. Asset Management Overview

After construction, OR Australia will be responsible for the operations of the Company's asset. Broadly this asset management function will look at two strategies for managing the asset:

- First, value preservation which seeks to ensure the asset is performing in line with expectations to deliver the investment case returns;
- Second, value enhancement strategies which seek to either de-risk or enhance revenue and/or reduce on-going operational and finance costs.

8.9. Value Preservation – Service Providers

The asset management team will oversee specialist outsourced service providers who will be responsible for monitoring day-to-day operations of the site and alerting the asset management team of any issues which will need a commercial decision to be made by the Manager on behalf of the Company. Generally, there are two service providers appointed for each site:

- **Operations and Maintenance (O&M)**
  The O&M provider is responsible for the continued performance of the physical equipment onsite and will be the team that regularly visits the site to perform maintenance. The typical scope of work for an O&M provider may include reactive and preventative maintenance of the equipment onsite, active monitoring of the site performance, regular cleaning of equipment, maintaining/storing/sourcing any spare parts and when appropriate replacing such parts onsite as well as enforcing any associated warranties.

- **Site Asset Management**
  Outsourced functions within site asset management include performance monitoring, revenue reconciliation and invoicing, operating expenditure and cash management, loan compliance, basic contract and document management (Lease, O&M, PPA) and accounting and taxes (including statutory reporting).

The asset management team of OR Australia will oversee the works of these two core service providers and where commercial guidance and decisions are needed which will impact the Company, direct those service providers on plans of action.

OR is working globally with a range of top-tier service providers for O&M and Site Asset Management across Solar PV sites who bring with them significant scale and expertise. OR Australia are in discussions with a number of third parties, Table 4 shows a couple of examples that may be used for the Company's site:

Table 4: OR Partners

Who	Partner	Team	Role	Market Leaders
CanadianSolar	Solar PV	Technical operations and maintenance	Field engineers, site maintenance and HSE management	Leading global solar company
edify energy	Solar PV	Asset Management	Information and finance processing contract management	Market leading Australia renewable energy development and storage investments company. Managed an operational portfolio of more than 1.7GW including Australia's largest wind and solar farms.
BayWa r.e. renewable energy	Solar PV	Technical operations and maintenance	Field engineers, site maintenance and HSE management	Award winning global solar O&M provider
Quintasenergy MANAGING POWER	Solar PV	Asset Management	Information and finance processing, contract management	Manages c65% of UK Solar PV market

8.10. Value Enhancement – Utilising Scale

The Manager will seek to utilise the scale of OR's wider global portfolio to drive additional value into the Company's site. This strategy is two-fold: reducing operational and financing costs and second, through revenue security and enhancement strategies (the Company's Energy Trading Strategy).

Cost Rationalisation

- **Operational Costs** OR Australia will have the benefit of OR's volume of existing assets under management which gives the Manager material leverage over subcontractors, particularly those involved in construction, O&M and Site Asset Management. It also helps the team negotiate better rates on operating costs, such as insurance and audit fees, and builds know-how. This depth of expertise not only ensures that subcontractors and incidents are managed robustly, but it may also save money for investors by reducing costs on external advisers as and when issues arise with an asset.

- **Financing Costs** OR has had extensive experience in refinancing projects across the UK, France and Italy. Through these dealings deep-rooted relationships have been formed with international and Australian banks. Using these relationships, the Manager may be able to find more favourable terms for the Project Finance of sites in Australia.

Energy Trading Strategy

The Manager seeks to implement a differentiated and defensible energy trading strategy for the asset aimed at both reducing risk through a fixed term, fixed price Power Purchase Agreement ("**PPA**"), where achievable, but also driving additional value into the assets by accessing higher wholesale energy prices. The Manager's strategy for the Company will envisage a combination of contracted and merchant revenue. The key elements of the strategy are detailed below:

- **Power Purchase Agreements and other services:** OR's experience and large portfolio of assets in the UK has allowed Octopus to provide bespoke energy services to large energy buyers. Examples include:
  - **Retail Energy supply to Arsenal Football Club** (a soccer team based in London)
  - **Behind the meter PPA to Bentley Motors** (a luxury car manufacturer based in the UK)
  - **Demand side response to Carrefour** (a large supermarket chain based in France)
  - **Grid connected offsite PPA to HSBC** (multinational banking and financial services company)
  - **Grid connected offsite PPA to Shell** (British-Dutch oil and gas company)

OR Australia will seek to contract a proportion of the Company's energy generation to a third party offtaker, providing set pricing and long-term revenue predictability. This element of the strategy reduces the volatility associated with energy prices and will provide the Company with a strong revenue base.

- **Wholesale Energy Management:**

Understanding the wholesale market:

OR Australia is continuously monitoring and updating its key energy pricing assumptions (listed in table 5) to best understand the wholesale energy market and where there may be opportunities for upsides and which risks to monitor. In addition, the investment team utilises the expertise of experienced wholesale energy consultants. Table 5 highlights select key drivers for long term energy pricing which is incorporated into the investment case for the Pipeline Assets.

- **Wholesale energy trading strategy:**

Energy may be sold in the liquid market (up to three years), fixing prices and potentially reducing volatility in the short term. In determining when and for how long to fix pricing, OR Australia considers available pricing relative to the investment case forecast (discussed in table 5) and how fixed prices available impact overall risk and return of the assets.

Table 5: Select OR Australia Energy Pricing Assumptions

Driver	OR Australia View	Impact on long-term prices
Natural Gas prices	Tension between domestic gas and exports are expected to continue due to a shortfall in supply relative to demand on the east coast of Australia. Limited new gas exploration is expected, retaining pressure on future supply and therefore NEM pricing. Policies capping LNG exports that have been discussed would inject political risk into already established trade and investment agreements, which could be damaging overall to Australia's relatively stable business environment that helps to attract investment into the domestic LNG operations.	▲ ▼
Supply of Electricity	The replacement of a coal plant with alternatives (most likely renewables and storage) is highly unlikely to be as smooth as the economists anticipate. Price volatility (upwards in this case) is caused by a mixture of political disruption due to a lack of energy policy clarity and market participant behaviours (the big three gentailers – AGL, Origin, EnergyAustralia – have strong market power and an interest in allowing prices to rise). Closures of coal plants earlier than forecast are possible – especially if prices fall – a valuable and likely powerful 'feedback effect' that could mean any sustained period of low prices would be followed by a spike in energy prices.	▲
Long-term cost of energy generation and storage	Renewables are now the cheapest new generation technology on a levelised cost of energy (LCOE) basis. This may not fully incorporate pricing trends for specialist equipment, required storage to complement renewables generation and issues specific to Australia such as grid upgrades, transportation and labour costs. However, OR Australia also believes that in the medium to long term, technological innovation has the potential to introduce new generation / storage technologies that are fundamentally cheaper, which has the potential to put downward pressure on prices in the long term.	▲ ▼
Behind the meter/ rooftop deployment	Rooftop and private wire solar poses a threat to utility scale solar as it reduces demand for electricity at the same time utility scale solar is generating. While economists anticipate further rollout of rooftops, the underlying assumptions behind these forecasts are, in OR Australia's view, optimistic and apply insufficient weighting to natural barriers, including: - Transaction costs - Reduced subsidies - Feedback loop of falling power prices - Changes to how energy consumers pay for the grid	▲
Grid Access	Grid access is a natural constraint to further rollout of renewables. The grid will need to be physically upgraded to accommodate mass renewable rollout in many cases. The cost and time taken to do this is underestimated in OR Australia's view. There are also specific market factors in Australian in particular (loss factors, and constraint / curtailment risks) that have the potential to curtail further renewable energy deployment.	▼
Government Policy	The present lack of a clear long-term energy policy will keep pressure on energy prices given the increasing need for further investment, particularly on the grid. A more accommodating government policy for renewable integration will put downward pressure on longer-term energy prices.	▲

8.11. Value Enhancement – Technology

While the investment case for a site is typically made based on today's established technologies that will be deployed on the site immediately, as new technologies become cost competitive and markets for their service develop, OR Australia will evaluate to what extent a supplemental investment or contracting with new technology partners would be appropriate for the Company. Below are few of the potential technologies the Manager is evaluating:

- **Batteries and Storage Technology** Storage technologies may be key to better integrating renewables into the energy mix of Australia by reducing the generation intermittency and providing additional services balancing and frequency regulating services to the grid.
- **Grid optimisation strategies** The team is in discussions with technology partners who are developing software that can be integrated with existing clean energy projects to provide services to the electricity grid. These services help to address technical issues such as grid voltage and frequency fluctuations as well as inertia management.
- **Commercialising innovative technology** As detailed in Section 4.3, Octopus ESIC plans to deploy an additional technology into the construction and/or operation of the site to enhance yield and provide stronger performance for investors. The Manager is in discussions with a number of research departments and innovators where an agreement will be in place prior to share issuance. This will help Octopus ESIC qualify as an Early Stage Innovation Company.

Note that the above examples and any other technologies may or may not become available and viable over the Investment Period of the Company.

8.12. Exit

The Manager anticipates that there will be an opportunity to gain liquidity at the second anniversary from the Start Date. Liquidity is envisaged by way of either a private sale of the Company or an initial public offering.

Falling costs for solar electricity, and to some extent wind power, is continuing to drive deployment in renewables. Last year was the eighth in a row in which global investment in renewables exceeded $200 billion – and since 2004, the world has invested $2.9 trillion in these green energy sources.[41] During the same year institutional investment also hit new records; in some regions, such as Europe, increasing by up to 42% on the previous year's investment.[42]

Institutional investors in Australia now have boards accountable for Responsble Investing policies. Accountability for overseeing policies and systems for managing ESG risks and opportunities is becoming more visible with 70% of funds having their full board, or board committees, overseeing ESG risks and opportunities. 81% of super funds have some form of Responsible Investment commitment in place. The reason being is that climate change is entering the boardroom, with portfolios often being stress-tested.[43]

74% of super funds use stakeholder input to inform their investment beliefs, and as climate change becomes more prominent, more so we can expect members to force an explicit focus on adressing climate risk.[44] This is likely to flow through into what the superannuation industry invests in.

As such, OR Australia believes large institutional investors (such as superannuation and insurance funds) will support a secondary market for an asset with a robust operational history and this will be the natural exit for Octopus ESIC after the target hold period. Such investors are typically attracted to operational renewable assets for the following reasons:

- Low correlation of investment returns to other major asset classes;[45]
- Established technology with long-term stable cash flows and meaningful dividend yields for investors;[46]
- Good visibility of the cost base supported by long-term contracts with key contractors;
- Allows for attractive asset diversification and risk-adjusted returns;[47] and
- Contributes to ESG standards and targets within a portfolio. Recent studies show that 9 out of every 10 Australians expect their superannuation and other investments to be invested responsibly and ethically.[48]

Superannuation funds alone in Australia are predicted to grow to $9.5 trillion by 2035, providing an enormous amount of capital in need of deployment.

[41] Frankfurt School, Global trends in renewable energy investment, 2018
[42] Frankfurt School, Global trends in renewable energy investment, 2018
[43] Frankfurt School, Global trends in renewable energy investment p43, 2018
[43] Super Fund Responsible Investment Benchmark Report, 2018
[44] Super Fund Responsible Investment Benchmark Report, 2018
[45] Allianz, Renewable Energy: A real-asset alternative for institutions seeking growth, yield and low correlation, 2017
[46] As above
[47] As above
[48] Choice, Millennials look for ethical options, 2017

9. Risk Factors and Conflicts of Interest

An investment in the Company involves certain risks. The following is a summary of certain principal aspects of investment in the Company of which Prospective Investors should be aware, but it is not intended to be either complete or exhaustive. The risks of an investment in the Company arise both from the risks associated with investments in renewable energy assets and from the risks attendant on the Company's ability to achieve its investment objectives. An investment in the Company should only be considered by Prospective Investors whose financial resources are sufficient to enable them to assume such risks (and possible loss of some or all of their investments). Prospective Investors should read this Memorandum in its entirety and are expressly warned that they must carry out their own due diligence and should form their own assessment and take independent professional advice on the merits and risks of an investment in the Company and the legal, regulatory, tax and investment consequences and risks of such an investment.

General Risk Factors

Nature of Investment	An investment in the Company is speculative and requires a long-term commitment. The Company's investments will be illiquid, and there can be no assurance that the Company will be able to realise such investments in a timely manner, or at all. Consequently, the timing and amounts of cash distributions to Shareholders is uncertain. Investments may be difficult to value, and dispositions of investments may require a lengthy time period. Past performance of the Manager or any of their respective affiliates and/or other products or investments with which members of the team have been involved provide no assurance of future results of the investments. In addition, the value of the investments may fall as well as rise and a Shareholder may not be repaid the total amounts previously drawn down. Due to the status of the Company as an ESIC, Investors may not be able claim any losses on the investment if the value of the Company drops.
Early Stage Innovation Company Status and Tax Benefits	The Company plans to obtain a Private Binding Ruling ("**PBR**") from the ATO in relation to the proposed business activities detailed in Appendices B. If the ATO deem this proposed approach was not taken this may jeopardise the ruling and impact the availability of tax benefits to investors. The Company or the Manager cannot guarantee the ESIC status of the Company for Investors. The Company or the Manager cannot provide tax advice to Potential Investors and cannot determine the eligibility of Investors in relation to the relevant tax benefits.
No Right to Control the Company's Operations	Shareholders will have no right, ability or opportunity to control the day-to-day operations, including investment and disposition decisions, of the Company. This role will be performed by the board of directors of the Company and the Manager.
Limited voting rights in the Shareholders' Deed	The Shareholders' Deed contains limited voting rights for Shareholders, containing an arrangement where each Shareholder irrevocably appoints the Manager as its attorney to vote on its behalf for matters under the Shareholders' Agreement or the constitution of the Company (with the exception of specified Shareholder Reserved Matters (defined in Appendix B, "Power of Attorney").

Compliance with Corporations Act and AFSL	Equity Trustees Limited is a professional provider of trustee, custodial and nominee services and acts as responsible entity for a number of registered and unregistered managed investment schemes, managed by itself or other managers. This means that there is a risk that should there be a breach by Equity Trustees Limited of any of its obligations under the Corporations Act 2001 (Cth) or its AFSL, this may lead to enforcement action by ASIC, including potentially the suspension of its AFSL. As Equity Trustees Limited is the proposed Nominee and Custodian of the Company, this could cause disruption to the operation of the Company and may also cause reputational damage to the Company.
Termination of CAR	There is a risk that the CAR may be terminated, which would result in the Manager no longer being authorised to manage the Company as a corporate authorised representative of Equity Trustees Limited. This may cause disruption to the Company in addition to reputational damage.
Restrictions on Transfer	Shares will not be transferable except with the unanimous consent of the board of the Company or in connection with an Exit Event (as defined in Appendix B, 'Target Hold Period").
Concentration of Investments	The Company may invest in one Australian Solar PV asset only, and if the Company does invest in multiple assets it is expected these will be limited in number. As a result, the Company's investment(s) will be highly concentrated, and the performance of the sole investment (or investment(s) if additional assets are acquired) will entirely determine its aggregate return.
Pipeline Assets	The acquisition of the pipeline assets outlined in this Memorandum remains subject to contract and, while the Manager intends to conclude the purchase of one or more pipeline assets as soon as possible, there can be no guarantee that the Company will be successful in acquiring any of the sites comprising the pipeline assets.
Competition for Investment Opportunities	The Company will be competing for investments with many other sources of capital, including other energy funds, private equity funds, public and private companies, hedge funds, and, in some cases, local governments. Similarly, these entities may be seeking to dispose of operational Solar PV assets at the same time as the Company, thereby creating competition for potential buyers. Renewable energy, as an asset class, is evolving rapidly and it is possible that other competing investment funds could be launched. Some competitors may have advantages over the Company in acquiring such investments, including greater amounts of capital, capital that has been committed for longer periods of time, and/or lower target financial returns. Furthermore, competition for renewable energy assets may result in increased purchase prices. In acquiring investments, the Company may need to participate in a significant number of competitive bidding situations and may incur significant expenses in doing so. There may be significant expenses incurred in attempting to acquire potential investments which are ultimately not consummated. In addition, such competition may have an adverse effect on the length of time required to fully invest the investments to the Company.
Availability and Pricing of Debt Finance	The ability of the Company to make an investment in a project or to refinance such investments already made may be dependent upon the availability and pricing of debt finance from third-party lenders. There can be no assurance that such debt finance will be available or available on terms that will enable the Company to generate its expected rates of return. Senior debt will typically be secured on the assets of a project and will contain covenants and other restrictions related to payment and default and which may give senior lenders preferred rights over those of the Company.

Gearing	Target gearing for the Company will depend on the nature of the investments and the terms available in the banking market, which will be closely monitored by OR Australia. Indicatively, gearing of 50% to 70% is currently deployed on most of OR's existing clean energy portfolio. Gearing may amplify the Company's financial gains if the value of the Company's direct and indirect renewable energy assets appreciates; however, it may also amplify losses if the value of the assets falls. If the value of the assets against which borrowings are secured declines, there is the risk that the Company may lose the capital invested if income is insufficient to cover recurring outgoings such as fees, principal and interest and on indebtedness and other expenses. This would adversely affect the overall value of an investment and a Shareholder may not be repaid the total amounts previously drawn down.
Indefinite Term	The Company does not have a specified term, or end date at which the asset(s) and investments held by the Company must be realised. Accordingly there is a risk that the term will continue beyond the currently proposed Target Exit Date (see Appendix B, 'Target Hold Period').
Lack of liquidity	The Company will be acquiring investments of a long-term and illiquid nature. These investments may be difficult to value and sell, or otherwise liquidate, and their realisable value may be less than their intrinsic value. The risk accompanying an investment in such companies is greater than the risk of investing in publicly traded securities.
Suitability of Investment	An investment in the Company is not suitable for all Prospective Investors. An investment in the Company is suitable only for "sophisticated investors" (in accordance with subsection 708(8) or (10) of the Corporations Act 2001 (Cth)) or "professional investors" (in accordance with subsection 708(11) of the Corporations Act 2001 (Cth)), and each Shareholder must have the financial ability and experience to understand, the willingness to accept and the financial strength to withstand, the extent of their exposure to the risks and lack of liquidity inherent in an investment in the Company.
Investment Selection	The Company's investments have not yet been identified. Accordingly, Prospective Investors will not have an opportunity to review the Company's investments or the terms of a number of the Company's investments prior to investing in the Company and there can be no guarantee that the Manager will be able to locate appropriate investments opportunities. The likelihood that Shareholders will realise any gain on their investment depends on the skill and expertise of the Manager's, and its affiliates', personnel. The investment strategy of the Company also does not limit its investments in geographic region, size or cash flow size. As such, it may be difficult for Prospective Investors to access the risks associated with any future investments that may be made by the Company.
Timing of Distributions	It is proposed that distributions will be made in accordance with the Shareholders' Deed, and at the discretion of the Manager. The Company and the Manager do not intend to declare and pay any dividends or distribute any amounts to Investors prior to the Exit Event. There can be no assurance that the operation of the Company will be profitable, that the Company will be able to avoid losses or that cash from its investments will be available for distribution to Shareholders. The Company will have no source of funds from which to pay distributions to the Shareholders other than income and gain received on its investments and the return of capital.

Absence of Recourse to the Manager and Indemnification	It is proposed that the Transaction Documents will limit the circumstances under which, the Manager, and their respective affiliates and any officer, director, shareholder, agent, member, adviser, consultant, partner or employee of such persons (among others) can be held liable to the Company. As a result, the Company may have a more limited right of action, in certain cases, than it would have in the absence of such a limitation. It is intended that the Company will indemnify each indemnified party (to be defined in the Transaction Documents) from and against any and all claims, except in certain circumstances to be set forth in the Transaction Documents. Such liabilities may be material and have an adverse effect on the returns to the Company.
Drag-Along Rights in the Shareholders' Deed	The Shareholders' Deed provides drag-along rights with the effect that, following the "Lock-up Period" (as defined in the Shareholders' Deed), Shareholders who collectively hold at least 75% of the Shares on issue may require remaining Shareholders to sell and transfer all of their Shares in accordance with the drag and tag provisions of the Shareholders' Deed. Investors may only transfer or otherwise dispose of Shares if the Board unanimously resolves to allow such transfer or disposal or if the transfer or disposal is made in connection with the provisions of the Shareholders Deed relating to Exit Events.
Ability to Verify Information	Although it is expected that the Manager will receive detailed information from each investment regarding its historical performance and business strategy, in certain cases the Manager will have little or no means of independently verifying this information. Such information may be generated using proprietary investment strategies that are not fully disclosed to the Manager, or which may involve risks under some market conditions that are not anticipated by the Manager.
Counterparty Risk	There is a risk, that counterparties may default on their contractual obligations to the Company or its investments. Any such counterparty default would likely have an adverse effect on the value of the Company's investments and on the returns to the Company.
Conflicting Investor Interests	Shareholders may have conflicting investment, tax and other interests with respect to their investments in the Company, including conflicts relating to the structuring of investment acquisitions and dispositions. Conflicts may arise in connection with recommendations or decisions made by the Manager regarding an investment that may be more beneficial to one Shareholder than another, especially with respect to tax matters. In structuring, acquiring, managing and disposing of investments, the Manager will consider the investment and tax objectives of the Company and its Shareholders as a whole, rather than the investment, tax or other objectives of any Shareholder individually.
Reliance on the Octopus Team	The Company's success will depend significantly on the efforts and abilities of the managers, directors, partners, officers and staff of the Manager or any of their respective affiliates and the entities in which the Company and partners invest. The Company will rely extensively on the experience, relationships and expertise of the senior members of OR Australia and the Manager. There can be no assurance that the persons currently managing or controlling the Manager (whether by equity ownership or otherwise) will do so in the future.
Hedging	The Company may employ hedging techniques which are designed to protect the Company against certain adverse commercial risks, including, but not limited to, changes in currency and/or interest rates. While such transactions may reduce certain risks, such transactions themselves may entail certain other risks. Thus, while the Company may benefit from the use of these hedging mechanisms, unanticipated changes in interest rates, securities prices or currency exchange rates may result in a poorer overall performance of the Company than if the Company had not entered into such hedging transactions.

Interest rates	Changes in official interest rates can directly and indirectly impact (positively or negatively) on investment returns. Future debt facilitates may have fixed or floating interest rates. Generally, an increase in interest rates has a contractionary effect on the state of the economy and thus the valuation of the Company's assets. To the extent that the interest rate hedging is employed as referred to above in 'Hedging', this risk may be mitigated.
Changes in Legal, Tax and Regulatory Regimes	Changes in legal, tax and regulatory regimes may occur during the life of the Company, which may have an adverse effect on the Company or its investments. An investment in the Company involves a number of complex tax considerations. Changes in tax legislation, or changes in double tax treaties or their interpretation, could adversely affect the returns achieved by the Company or the availability of tax concessions for Shareholders (including without limitation those tax concessions and tax benefits described in this Memorandum and in particular Appendix D "Tax Considerations"). No assurance can be given regarding the actual level of taxation that may be imposed upon the Company or its investments.
Target Net Returns	The target net return figures in this Memorandum take into account various assumptions, including, but not limited to, those relating to the income generated from purchasers of energy produced by the investments, capital appreciation, financing benefits, defaults, expenses and other fees (including performance-based fees). There can be no assurance that the important assumptions underlying any such target return will prove to be accurate. Accordingly, there can be no assurance that the Company will meet its objectives or its target net return or avoid significant losses.
Tax Laws Applicable to Investors	Prospective Investors must consider the potential tax consequences of an investment in the Company in their jurisdictions of residence and/or any other jurisdiction in which they have a taxable presence. Prospective Investors are urged to consult their own advisers on the tax implications of the acquisition, ownership and disposition of their Shares under the laws of any jurisdictions in which they are or may be liable to taxation. Shareholders may be subject to tax on sums allocated to them in advance of distributions being made to them and no assurance can be given that Shareholders who are subject to tax on the allocated gain or income will receive distributions sufficient to satisfy their tax liabilities fully.
Annual Tax Information	The Company's ability to provide timely tax information with respect to the Company is dependent on the timely provision of relevant information by relevant third parties. If such third parties do not provide such information in a timely manner, Shareholders may be required to file extensions with respect to, or otherwise delay the filing of, tax returns in their relevant jurisdictions.
Provision of and Disclosure of Tax Information	Prospective Investors should note that the Company and/or the Manager may be required to disclose information regarding any Investor to any tax authority or other governmental agency to enable the Company (and its subsidiaries if any) and/or the Manager to comply with any applicable law or regulation or agreement with a governmental authority and may, in addition, disclose such information to any person where the Company and/or the Manager consider it necessary in connection with an investment or potential investment. Investors will also be required to provide such information as may be reasonably required by the Company and/or the Manager to enable the Company (and its subsidiaries if any) and/or the Manager (as applicable) properly and promptly to make such filings or elections as the Company and/or the Manager may consider necessary or as required by law or where the Company and/or the Manager considers that the provision of such information is necessary in connection with an investment or potential investment. Prospective Investors should note that, in certain circumstances, the Company and/or the Manager may be entitled to take steps against a Shareholder who has failed to provide such information, including, but not limited to, withholding any taxes required to

	be withheld, ensuring that the Shareholder bears the cost of any tax arising as a result of the failure to provide the information or requiring such Shareholder to withdraw. Prospective Investors may be required to take certain steps where the participation of certain Shareholders in the Company or any investment(s) could result in material adverse tax consequences for the Company and/or its Shareholders.
Uncertain Political Environment	The current global political climate is one of uncertainty. Prior acts of terrorism, the threat of additional terrorist strikes and the fear of prolonged global conflict have exacerbated volatility in the financial markets and can cause consumer, corporate and financial confidence to weaken, increasing the risk of a "self-reinforcing" economic downturn. A climate of uncertainty may reduce the availability of potential investment opportunities for the Company and increases the difficulty of modelling market conditions, reducing the accuracy of the financial projections. Furthermore, such uncertainty may have an adverse effect upon the value of the investments made by the Company.
Allocation of Expenses	It is proposed that the Company will pay all fees, costs and expenses incurred by: • the Manager in connection with the Company or in performing its obligations under the Shareholders' Deed and Investment Management Agreement; • the Nominee pursuant to the Nominee Deed; and • the Custodian pursuant to the Custodian Agreement. To the extent that the Transaction Documents do not specify the manner in which an investment-related expense will be allocated, the Manager will determine the appropriate allocation of that expense. It is expected that certain expenses associated with completed investments will be borne by the investment in which the Company has invested, which will result in all owners of that investment indirectly bearing that expense. However, certain investment-related expenses may be allocated to and borne by a holding company or other entity through which the Company makes and holds its investment, which may result in the Company bearing a greater proportion of such expenses than would be the case if they were paid by the investment.
Health and Safety	It is possible that there may be incidents causing injury to visitors to the Company's sites, employees and/or contractors. This may result in harm to the visitors, employees and/or contracts, which could lead to criminal/civil proceedings and resultant reputational damage.
Construction	Assets owned by the Company which are to be constructed carry additional risks. The cost of construction may be higher than expected or the construction may take longer than expected. Any delays in or failure of construction or increases in costs may adversely affect the yield of the investment and consequently impact the Company's operating and financial performance. There is also a risk that the builder may default.
Insurance	Various factors can influence both the cost of maintaining insurance over the direct and indirect assets of the Company and the extent of cover available. Increased insurance costs, or limits on cover, may have a negative impact on the performance of the Company, as funds that should otherwise be used to invest in assets may be required to pay the increased insurance costs. Limits on insurance cover may prevent the Company from recovering the amount invested in an asset should an event insured against occur.
Litigation Risks in General	The Company will be subject to a variety of litigation risks, particularly if one or more of the investments in which it invests faces financial or other difficulties during the term of the Company. Legal disputes, involving any or all of the Company, the Manager, the Nominee, the Custodian or their affiliates, may arise from the Company's activities and investments, and could have a significant adverse effect on the Company.

Investment Due Diligence	The Manager intends to conduct due diligence on the investments to be made by the Company. When conducting due diligence, the Manager will be required to rely on resources available. There can be no assurance that the due diligence investigations undertaken by the Manager will reveal or highlight all relevant facts that may be necessary or helpful in evaluating a particular investment opportunity and there can be no assurance that such due diligence will result in an investment being successful. To obtain access to due diligence prepared by third parties, the Manager (as applicable) will likely be required to enter into agreements that may limit the rights of the Manager and the Company to bring legal actions against such third-party that relate to the Manager's reliance on such due diligence. Therefore, if the due diligence relied upon by the Manager contains errors or omissions, or is otherwise inadequate, neither the Manager nor the Company will have any recourse against the provider of such due diligence. Any due diligence reports prepared in relation to the pipeline assets will be addressed to the Company or, if not addressed to the Company, the Manager expects relevant reliance to be extended to the Company in respect of such due diligence reports. Any information provided to the Shareholders by the Manager (or on each entity's behalf, as the case may be), including any due diligence reports, with respect to the acquisition of the pipeline assets will be provided on a non-reliance and no liability basis and shall be subject to applicable confidentiality requirements.
Change in Laws and Regulations	Any legislation and its interpretation, and the legal, tax and regulatory regimes which apply in relation to the Company and/or a Share may change or may differ from that anticipated by the Manager and their respective affiliates or advisers. Accounting practice may also change which may affect, in particular, the manner in which the investments are valued and/or the way in which income or capital gains are recognised and/or allocated by the Company.
Warranties and Limitations in the Underlying SPAs	The Company will be reliant on warranties and indemnities in the purchase agreements for protection against the seller(s) of the pipeline assets or its other investments. As the negotiation of warranties and indemnities, together with making claims for breach of contract in relation to warranties and claiming under indemnities, can be costly and time consuming, warranty and indemnity insurance policies may be taken out in respect of the acquisition of the pipeline assets and the Company's other investments. As warranty and indemnity insurance is not available in respect of all warranties (such as environmental warranties) and the cost of premium payments may be disproportionately high, whether or not warranty and indemnity insurance is taken out (and by whom) will have to be considered at the time of the acquisition against the level of cover available. Furthermore, as is customary in share or asset purchases, the purchase agreements are likely to limit the circumstances under which the seller(s) of the pipeline assets and the Company's other investments can be held liable to the Company for any breach of warranty. As a result, the Company may have a more limited right of action in certain cases than it would have in the absence of such a limitation.
No Octopus track record in Australia	The Company is the second Australian company to be promoted by the Octopus Group. The first Company has yet to reach its full term and therefore no past performance of OR managed assets in Australia can be provided. As a result, there is a risk that the Company's investments do not perform in line with the forecast which may result in the investments in the Company delivering a lower investment performance than the target.
Force majeure	There is a risk that the Company's investments may be damaged or destroyed by flood, cyclone, hurricane, earthquake, fire, war, explosion, terrorism or some other natural or man-made disaster. Unplanned interruptions and outages outside of the control of the Company may also adversely affect the return on investments in the Company. There is no guarantee that insurance will be obtainable for all of these risks or, even if it is obtainable, that it is obtainable at commercially acceptable pricing.

Risk Factors Associated with investments in the Renewable Energy Sector

Renewable Energy Sector	The renewable energy sector is a relatively new and emerging asset class for investments and may be considered riskier than more established asset classes. Many factors will influence the widespread adoption of renewable energy and the demand for renewable energy, including the cost-effectiveness, performance and reliability of renewable energy and the continued application of the Renewable Energy Target scheme and state-based programmes. The electricity and power sectors are highly regulated industries, as is renewable electricity generation.
Environmental Products	There can be no guarantees or assurances that the asset or portfolio company in which the Company invests will generate, or otherwise make available to the Company, any renewable energy certificates, environmental attributes, emissions allowances or other environmental credits associated with the generation of clean, renewable or low carbon energy. Company investments may not qualify under the rules governing any applicable renewable energy or emissions-based regulatory regime within the relevant jurisdiction. The Company cannot guarantee that any environmental products can or will be used for compliance purposes under any clean energy or emissions-based regulatory regime. The value of environmental products, such as renewable energy certificates, is highly dependent upon government regulation, and the markets in which they trade are relatively immature and illiquid. There can be no guarantee that the market price of any environmental products will exceed the cost of producing them or that the generation and sale of any environmental products will make a positive contribution to overall investment returns. Any environmental products received by the Company may be sold privately or traded on applicable market exchanges at the prevailing price at the discretion of the Manager and such prices may rise and fall. There can be no guarantee of sufficient liquidity in the various trading markets such that the Company, its investee entity or portfolio company will be able to sell or otherwise dispose of any environmental products at an advantageous time or at an attractive price.
Key Contractual Arrangements and Counterparty Risk	Companies that own and invest in clean energy projects will often enter into power purchase agreements ("**PPAs**") for electricity offtake. Such PPAs are normally long-term arrangement between a generator and an offtaker to purchase a quantity of electricity for a fixed price, which provide certainty of revenue for the project over the PPA term. In addition, under a PPA an offtaker may also purchase all environmental products created in respect of the electricity purchased from the generator. The payments made by any offtakers under such PPAs may be the primary form of revenue for these projects. To the extent that the Company, or its investee entity or portfolio company, relies on any income stream under a PPA, there can be no assurance that an offtaker will fulfil its obligations under a PPA or that an offtaker will not become bankrupt or that, upon any such bankruptcy, such offtaker's obligations under a PPA will not be rejected by a bankruptcy trustee. There are additional risks relating to PPAs, including the occurrence of events beyond the control of an offtaker that may excuse it from its obligation to pay for electricity generated by a generator and/or environmental products associated with that electricity. The failure of an offtaker to fulfil its obligations under a PPA or the termination of a PPA may have a material adverse effect on an investment or project and, therefore, on the Company's performance and its ability to generate returns for Shareholders. An offtaker may be entitled to damages or freed of any obligation under a PPA should construction of the site contracted with offtaker be delayed beyond agreed timing milestones. The Manager, the Company and their affiliates may, in addition to PPAs, enter into other contractual relationships, including, but not limited to, engineering, procurement and construction contracts, operations and maintenance contracts, land agreements, grid connection agreements and agreements for asset management and insurance services. The Manager and the Company will, as a result, be exposed to the risk that the counterparties to such agreements may default on their obligations which may impact the successful operation of the Company's assets and, consequently, impact on the timing and amounts of returns to the Shareholders.

Key Contractual Arrangements and Counterparty Risk (cont.)	The Company may also be required to give certain warranties, guarantees or indemnities under such contractual arrangements which could result in the Company incurring financial liabilities should it breach any of those obligations.
Pricing	Renewable energy investment and economics have had a historical correlation with traditional energy and commodity prices. While not the only driver of renewable energy prices, renewable energy investments may be influenced by general energy market factors such as oil and natural gas prices, coal prices, the success of oil or gas exploration projects, energy policies, conventional energy production costs and energy-related geopolitical issues and technological and other developments generally. Renewable energy projects are long-term assets with long economic lives often exceeding 20 years. While sales contracts and PPAs, underpinning the forward sale of electricity and/or environmental products, often provide for short-term fixing of the price of energy and/or environmental products, a clean energy project will at some stage likely be required to sell electricity on the spot market, or environmental products at the prevailing market prices and/or seek new sales contracts with fixed price periods. In making its investment decisions, the Manager will necessarily rely on market forecasts as to the forward price of electricity, environmental products (or equivalent instruments) and any applicable marginal loss factors and/or distribution loss factors which may be applicable to the site. There can be no assurance that such forecasts will be accurate and if the revenues are ultimately lower than projected, investment returns will also be lower.
Operational and Technical Risks	The return on, and the consequent value, of an investment in a renewable energy project may fluctuate in response to general weather and environmental conditions (solar irradiation, wind patterns, etc.) which are, by their very nature, unpredictable and deviations to forecasts are likely to occur over time. Other risks associated with the operation of renewable energy projects are of a technical nature, including the risk of mechanical or electrical breakdown, unscheduled maintenance, spare parts shortages, failure to perform according to design specifications and other unanticipated events which may result in lower energy production and a consequent reduction in operations and project or investment revenues. Operations of a site and thus returns to Shareholders are also dependent on the availability of the electrical grid to accept full production of the site. Availability may be impacted for reasons which include (but are not limited to): the grid operator curtailing output of a site or all sites in a region in order to relieve any constraints the grid may be experiencing due to over production in that area or unforeseen maintenance on the grid which requires curtailment in order to carry out works. While in certain investments, creditworthy and appropriately bonded and insured third parties may bear some of these risks, there can be no assurance that any or all such risks can be mitigated or that such parties, if present, will perform their obligations or that insurance will be available on commercially reasonable terms. An operating failure may lead to fines, expropriation, termination or the loss of a licence, concession or contract on which an investment is dependent. In addition, the long-term profitability of the assets is partly dependent upon their efficient operation and maintenance, failure of which could reduce returns to the Shareholders.

Environmental Risk	There is an inherent risk that energy companies may incur environmental costs and liabilities due to the nature of their businesses and the substances they handle. For example, decommissioning liabilities or uncontrolled leakage of hydraulic fluid or lubricant, could subject the Company to substantial liabilities for environmental clean-up and restoration costs, claims made by neighbouring landowners and other third parties for personal injury and property damage, and fines or penalties for related violations of environmental laws or regulations. Moreover, the possibility exists that stricter laws, regulations or enforcement policies could significantly increase the compliance costs of energy companies, and the cost of any remediation that may become necessary. Energy companies may not be able to recover these costs from insurance.
Regulatory Risk	The energy sector is highly regulated. Companies operating in the energy sector are subject to significant regulation of nearly every aspect of their operations by national and local governmental agencies. Examples of government regulations which impact companies operating in the energy sector include planning laws, regulation of the maintenance and operation of facilities, environmental regulation, safety regulation, labour regulation, trade regulation and the regulation of the prices charged for products and services (depending on the jurisdiction). Compliance with these regulations is enforced by numerous governmental agencies and authorities through administrative, civil and criminal penalties. Stricter laws and regulations or stricter enforcement policies with respect to existing regulations will likely increase the costs of regulatory compliance and could have an adverse effect on the financial performance of companies operating in the energy sector. Companies operating in the energy sector may be adversely affected by additional regulatory requirements enacted in response to environmental disasters, which may impose additional costs or limit certain operations by companies operating in various sectors. There can be no guarantee that all costs and risks regarding compliance with environmental laws and regulations can be identified. Environmental laws, regulations and regulatory initiatives can have a substantial impact on Company investments, both positively (as noted above in respect of governmental support for renewable energy initiatives and the availability of environmental credits) and negatively. The Company will seek to evaluate the expected impact of environmental compliance on all potential investments. The Company may make investments that are subject to changing and increasingly stringent environmental and health and safety laws, regulations and permit requirements.
Technology Risks	The Company will endeavour to invest in projects that use market-leading equipment and technologies at the time an investment is made. However, technological change and technical improvements are occurring at a rapid pace in connection with many renewable energy technologies, with associated risks of obsolescence and redundancy. Company investments can be significantly affected by obsolescence of existing technology that may be only partially mitigated through contractual or other arrangements or not mitigated at all.

Effects of Ongoing Changes in the Electricity Supply Industry	The Company may make certain investments in projects directly related to electricity retailers and, in most cases, such retailers are the ultimate customers for purchasing electricity from renewable energy projects. The operation of renewable energy projects often takes place at sites that are remote from the electrical transmission and distribution system, frequently requiring grid interconnection and reinforcement. The electricity supply industry is experiencing increasing competitive pressures, primarily in wholesale markets, as a result of consumer demands, technological advances, greater availability of natural gas and other factors. There can be no assurance that: (i) existing regulations applicable to electricity retailers will not be revised or reinterpreted, especially those imposing mandates upon them to purchase renewable electricity; (ii) new laws and regulations will not be adopted or become applicable to electricity retailers; (iii) the technology and equipment selected by such utilities to comply with current and future regulatory requirements will not change materially over time; (iv) the required grid interconnection and reinforcement will be undertaken in a timely manner at reasonable cost; or (v) such retailers' business and financial condition will not be materially and adversely affected by such future changes in, or reinterpretation of, laws and regulations (including the possible loss of exemptions from laws and regulations) or any failure to comply with such current and future laws and regulations.
Property Damage and Increased Expenses Resulting from Inclement Weather	Unusually high rainfall, storms, winds or other inclement weather could increase the need for maintenance and repair of the Company's investments. These costs and delays could adversely affect the Company's financial performance, thereby reducing potential distributions to the Shareholders and decreasing the Shareholders' returns on their investment.
Solar	Solar power production estimates are based on past measurements. Historical measurements may not be representative of future solar power capacity as it could be affected by environmental conditions, including cloud cover and pollution. Seasonal and annual volatility may also affect returns to the Company (and, therefore, to the Shareholders) from its Solar PV assets. Systemic faults in solar power technology may also negatively impact on returns to the Company (and, therefore, to the Shareholders). Similarly, returns from Solar PV assets may be affected by changes in the basis of charging for electricity or the basis on which the Company's assets are charged for connection to the electricity distribution system in any markets in which the Company operates. Systemic faults in technology employed on the Company's Solar PV assets may also negatively impact on returns to the Company from those assets.
Contracting with network providers	Delays can be experienced in contracting with network providers as these providers require significant testing time to ensure the safety of the grid and depending on the number of connection applications pending in a particular jurisdiction, which could result in additional holding costs.
Availability of skilled labour	There is a significant shortage of professionals and trades people with the skills needed for the construction of solar and other energy plants, which can result in unexpected additional costs of construction.

Conflicts of Interest

General

The Manager may sponsor, manage and advise a variety of investment vehicles and expects to continue to create or sponsor new investment vehicles to develop their respective investment, advisory and other related businesses. In addition, the Manager engages in a broad range of other investment activities. The Manager expects that the universe of potential investments for the Company and other activities of Octopus Group entities or businesses could overlap and, as a result, may create conflicts of interest, including, without limitation, conflicts between:

a) the interests of the Shareholders and those of investors in other funds or investments managed or advised by the Manager and/or its associates;
b) the interests of the Shareholders within the Company; and
c) the interests of the Manager (including their staff) and the Shareholders.

In the event that any actual or potential conflict of interest arises, the Manager will disclose the nature of the conflict to Shareholders and endeavour to ensure that it is eliminated. While the Manager will seek to act in the best interests of the Company, the management of such conflicts of interest may result, for example, in the Company being precluded from being involved in, or completing, a potential investment. The Manager, in its sole discretion, may decide not to proceed with an investment, or not to pursue an investment opportunity for the Company, because of a conflict of interest.

The following discussion covers certain potential conflicts of interest that should be carefully evaluated before making an investment in the Company.

Restrictions on Transactions due to other Octopus Group Businesses

By reason of their responsibilities, in connection with other activities of the Manager, certain employees of the Manager may acquire material non-public information or other confidential information. Such personnel may not be free to share such information with the Company, the Company may not be free to act upon any such information and the possession of information by persons associated with the Manager may preclude the Company from engaging in transactions that it might otherwise have undertaken.

In addition, Octopus Group managed entities, other than the Company, may hold positions in securities or be subject to contractual or legal restraints that could prevent the Company from being able to initiate a transaction that it otherwise might have initiated or to sell an investment that it otherwise might have sold. The trading activities of other Octopus Group managed funds may be inconsistent with the activities of the Company. Furthermore, the Manager may have, or develop, business relations through their other businesses which the Manager may consider when determining whether to undertake a transaction on behalf of the Company, with the result that the Company may not participate in certain transactions which it might otherwise have participated in.

Other Investments

Other than any limitations described in the Transaction Documents, there are no limitations on the Manager and/or its respective associates managing or advising other funds and/or other similar investment vehicles. Therefore, a situation could arise where the Manager and/or its respective associates manage or advise other funds and/or similar investment vehicles which could compete with the Company for certain investments, or in certain geographies and/or sectors. Where an investment opportunity falls within the investment strategy of the Company and other investment funds and/or similar investment vehicles managed or advised by the Manager and/or its respective associates, such persons will be free to allocate those investment opportunities between the Company and such other investment funds and/or similar investment vehicles on what they consider to be a fair and equitable basis, taking into consideration such issues as they deem appropriate, in their absolute discretion, including, but not limited to: their respective investment policies; relative fund sizes; size of investment; existing diversification of portfolios; and expected holding time of the investment.

Other Investments (cont.)	The Manager and/or its respective associates shall be free to pursue any investment opportunity that falls outside the investment objectives and/or parameters of the Company and to effect, advise on, and/or participate in any such transaction on its own behalf and/or on behalf of any other person, including any investment fund and/or similar investment vehicle managed or advised by it. The Manager shall not be in breach of any obligation or duty to the Company or to the Shareholders, or liable for any loss incurred by the Company or by the Shareholders, in consequence of any decision not to proceed with an investment or not to pursue a co-investment opportunity for the Company, or any decision to effect, advise on and/or participate in any transaction on its own behalf or on behalf of any other person. Similarly, the Manager shall be under no duty or obligation to disclose to, or use for the benefit of, the Company, any information in relation to any transaction in which it, or any person (including any other investment fund) to whom it or any of its associates owes a duty, has an interest.
Allocation of Personnel	The Manager's personnel will devote such time as they determine necessary to conduct the business affairs of the Company in an appropriate manner. However, the Manager's personnel will work on other projects, including other investments and other existing and potential business activities which do not relate to the Company. The Company will have no interest in such investments or in other investment vehicles marketed, sponsored, managed and/or advised by the Manager. Conflicts of interest may also arise in the allocation of management and personnel resources among the Manager's various activities.
Performance Fee	The fact that the Performance Fee will be based on the income performance of the Company's investments may create an incentive for the Manager to recommend and/or make investments that are more speculative than would be the case otherwise. Furthermore, the terms of the Performance Fee could give the Manager an incentive to make determinations regarding the timing and structure of realising transactions that are not applicable to the interests of Shareholders. In addition, the management fees or performance fees and other economic terms of any parallel entity may be more favourable to the Manager than the equivalent terms of the Company. However, the Manager will not take account of such differences in allocating opportunities.
Sourcing of Debt	The Company may from time to time source debt financing from one or more entities that are related bodies corporate of the Company and/or the Manager (including from funds managed by such related bodies corporate). In such circumstances the Manager will use commercially reasonable endeavours to ensure that such debt financing is obtained on arms' length terms which are at least as favourable to the Company as debt sourced from an unrelated third-party lender.

Appendices

A. Key assumptions

Sections 1.4 and 2: General financial targets

Prospective investors should bear in mind that targeted performance are not necessarily indicative of future results and there can be no assurance that targeted returns will be achieved or that the Company will be able to successfully implement its investment strategy or fully achieve its investment objectives.

Sections 1.1, 5.3 and 7.2: OR portfolio

Valuations of the OR managed assets and portfolio have been determined in line with OR's valuation policy and reflect enterprise value.

Section 7.4: Technical performance

For Solar PV assets, expected production is defined as the target energy production, adjusted for actual solar irradiation. Actual production for Solar PV assets is defined as the electricity production of the plant measured at the grid connection (which includes electrical losses). Only performance data post PAC or acquisition, which ever occurred later, has been considered.

Section 5.3 and 7.2: Financial performance

Gross IRRs were calculated based on agreed valuations between vendor and buyer at the date of the respective transactions.

B. Key Terms

The following is a summary of the proposed principal terms of the Octopus Early Stage Innovation Company 2 ("Octopus ESIC"). This summary is qualified in its entirety by reference to the Transaction Documents (defined below) and to the extent of any inconsistency the terms of the Transaction Documents will prevail.

Company	Eucalyptus Solar Pty Ltd (the "**Company**").
Investment Manager	Octopus Investments Aust Pty Ltd (the "**Manager**").
Nominee and Custodian	Equity Trustees Limited (the "**Nominee**" and "**Custodian**" (as applicable)).
Target Aggregate Subscription Amount	\$40 million – \$60 million.
Investment Objectives	The Company's investment objective is the acquisition, construction and operation of one or more solar PV power generation projects in Australia (the "**Project**"). Please see the more detailed description under 'Investment Strategy' below.
Management Team	The Octopus Renewables ("**OR**") team of the Octopus Group is a global specialist energy investment management team responsible for originating and executing transactions in the renewable energy sector. The OR team has over 250 energy sites under management, representing \$5.1 billion of value and c2.3GW of capacity. OR Australia is comprised of eleven individuals based in Melbourne and Sydney, with a range of experience working within Octopus Group, OR and other renewable energy investment management businesses across Europe and Australia. The team is led by Sam Reynolds, who was previously the Head of Energy Investments for OR and oversaw the expansion of OR's portfolio.
Minimum Investor Subscription Amount	\$250,000
Targeted Returns	6%–8% p.a. net IRR over the target hold period (two years) but noting the Company may have a longer term.
Early Stage Investor Tax Incentives	The following tax incentives will be available for eligible early stage investors in the Company: • a tax offset at the outset for investors who invest in the Company. Specifically, investors may receive a non-refundable carry-forward tax offset of 20% of the value of their investment, subject to a maximum offset cap amount of \$200,000; and • an exemption for any subsequent capital gains realised on the investment, but without access to any losses realised on the investment. Specifically, investors may disregard capital gains realised on shares in the Company that have been held for the term of the investment. Investors' eligibility for the early stage investor tax incentives will depend upon each investor's circumstances. Investors should review the detailed consideration of tax considerations in connection with the acquisition of an interest in the Company in Appendix D ('Tax Considerations').

Term	The target hold period for the Project is approximately two years from the Start Date (as defined below) or such other period determined by the Company to achieve favourable sale terms. Please see the more detailed description under 'Target Hold Period' below.
Target Investors	The Company intends to offer interests in fully paid ordinary shares in the Company (the "**Shares**") to Australian sophisticated investors or professional investors (as defined in section 708 of the Corporations Act 2001 (Cth)). Each investor who holds a legal or beneficial interest in Shares (including the Nominee) is referred to in this term sheet as an "**Investor**".
Start Date	The start date will be the date determined by the Manager on (or following) the date on which Investors have been issued with Shares ("**Start Date**"). It is intended that following the Start Date there will be no further issues of Shares to existing or new Investors.

Structure

Company	The Company is an Australian unlisted proprietary limited company. The Company may establish one or more subsidiaries for the purposes of the acquisition and holding of the Project.
Nominee and Custodian	EquityTrustees Limited (AFSL no. 240975) will be appointed as both the Nominee and Custodian. The Nominee will hold the legal title to Investor's Shares on a separate bare trust for that Investor pursuant to the terms of the Nominee Deed. Please see the more detailed description of the Nominee's role under 'Nominee Arrangements' below. The Custodian will hold the subscription amounts paid by each Investor for the Shares issued to it, pending the Company using such amounts to acquire the Project, carry on the Business and for such other purposes as are permitted by the Transaction Documents. The Company and the Custodian will enter into a custodian agreement which will govern the terms on which such amount will be held by the Custodian.
Investment Manager	Octopus Investments Aust Pty Ltd will be appointed to manage the Company and the assets held by the Company (the "**Assets**"), and to manage the Investor's interests in the Company, pursuant to the terms of the investment management agreement ("**Management Agreement**"). The Manager will have overall responsibility for the operation of the Company, and will be authorised to select and manage the investments of the Company. The Manager is incorporated as an Australian proprietary limited company and a wholly owned subsidiary of Octopus Investments Limited ("**OI UK**"), a UK Financial Conduct Authority ("**FCA**") regulated entity. The Manager is a corporate authorised representative Equity Trustees Limited. Please see the more detailed description of the Manager and management arrangements under 'Management of the Company' below.

Transaction Documents	Prospective investors will be provided with copies of the following documents relating to the Company: • Shareholders Deed • Subscription Deed; and • Nominee Deed. (together the "**Transaction Documents**"). Prior to the Start Date each Investor will be required to provide to the Manager a completed and executed Subscription Deed, and each Investor will be party to the Shareholders Deed and Nominee Deed. The Transaction Documents will be provided by the Manager to a Prospective Investor at the request of that Prospective Investor.
Shares	Investors that commit to an investment prior to the 31st of December, by completing the Transaction Documents, will benefit from a reduced share price on issuance. This discounted share price will be $0.995 per share (representing a .5% discount). For investors who commit to an investment after the 31st of December, shares will be issued at the ordinary price of $1 per share. All shareholders will have their shares issued prior to the 30th June 2020. It is intended that the Company will issue Shares to all Investors on or prior to the Start Date, and that following the Start Date there will be no further issues of Shares to existing or new Investors.
Shareholders Deed and Nominee Arrangements	Each Investor will be a party to the Shareholders Deed which together with the Constitution governs the operation of the Company. Each Investor will also be a party to the Nominee Deed. Pursuant to the terms of the Nominee Deed the Nominee will hold the legal title to each Investor's Shares on a separate bare trust for that Investor. The Manager may, in its sole discretion, permit one or more Investors to hold Shares outside of the nominee arrangements described above, and such Investor(s) will not be party to the Nominee Deed.
Power of Attorney	Pursuant to the terms of the Shareholders Deed each Investor will irrevocably appoint the Manager as its attorney to provide on its behalf any vote, consent or approval that is required from, or may be given by, that Investor (the "**Power of Attorney**"). The Power of Attorney will not apply for certain key matters specified in the Shareholders Deed in relation to which the Investors will retain a right to vote ("**Shareholder Reserved Matters**"), including: • Any material change to the nature of the Business (as determined by the Manager acting reasonably); • Any material amendment to a Transaction Document (as determined by the Manager acting reasonably); and • Any extension of the proposed Exit Event Date beyond the fourth anniversaryof the Start Date. Each of the Shareholder Reserved Matters listed above will require the approval of Investors holding, in aggregate, more than 75% of the Shares on issue ("**Special Resolution Vote**"). Each Investor must severally indemnify the Manager against all claims, demands, costs, charges, expenses, outgoings, losses and liabilities arising in connection with the lawful exercise of the Manager's powers and authorities under the Power of Attorney.

Target Hold Period	The Company may give the Investors an exit notice ("**Exit Notice**") at any point after the first anniversary of the Start Date. The Company intends to initiate an exit from the Project and provide liquidity to Investors around or promptly following the second anniversary of the Start Date (the "**Target Exit Date**"). The Company may delay providing an Exit Notice and extend the term of the Project beyond the Target Exit Date if it determines, acting reasonably, that such extension may result in more favourable sale terms (subject to any Special Resolution Vote required to extend the date of the proposed Exit Event beyond the fourth anniversary of the Start Date (if applicable)). The Exit Notice will specify whether the proposed exit will be undertaken by way of share sale or by way of another transaction (the "**Exit Event**"), and the Company will seek to determine an exit method which realises the highest value for Investors. The Manager will, to the extent reasonably practicable, seek to ensure that an Exit Notice provides a minimum of one months' notice of the proposed Exit Event. The date of completion of the Exit Event will be referred to in this term sheet as the "**Exit Event Date**".
Financial Year End	30 June
Management Team/Investment Committee	The OR team of the Octopus Group is a global specialist energy investment management team responsible for originating and executing transactions in the renewable energy sector. The Australian based OR team, comprising representatives of the Manager, will source and evaluate investment opportunities and provide asset management for the Company. The Octopus Investments Australia Investment Committee ("**OIAIC**") was also established by the Octopus Group. The OIAIC will have ultimate responsibility for new investment decisions and opportunities which will be presented by the Australian based OR team. At this stage, OIAIC will comprise six members in total, being three Australian members and three members of OI UK. OIAIC members include senior professionals with extensive experience in investment and clean energy.
Board of Directors	Pursuant to the Constitution, the Company will have a Board of Directors (the "**Board**") with a maximum of three directors. It is intended that as at the Start Date the Board will comprise: • Sam Reynolds; • Harry Manisty; and • Paul Latham.

Role of Board	Pursuant to the terms of the Constitution and the Shareholders Deed the Board will, inter alia, be responsible for:
	• the overall direction and strategy of the Company, and the formulation of the policies to be applied to the Company (and its subsidiaries (if any)) and the Business;
	• ensuring that:
	    • all of the investment funds received by the Company are used for the purposes described in the Shareholders Deed;
	    • the Company (and its subsidiaries (if any)) complies with all applicable laws and maintains all required authorisations; and
	The benefits of all key commercial contracts and ownership of intellectual property remains vested in the Company (and its subsidiaries (if any)).
	
	Pursuant to the terms of the Shareholders Deed the Company may delegate any of its powers to a committee of directors or executives of the Company or to an investment manager (including the Manager).

Appointment and Role of Manager	The Company will enter into the Management Agreement with the Manager. Pursuant to the terms of the Mangement Agreement the Manager will be appointed to manage the Company and its Assets. The Manager will have overall responsibility for the operation of the Company, and will be authorised to select and manage the investments of the Company. The Manager is incorporated as an Australian proprietary limited company and a wholly owned subsidiary of OI UK, a UK FCA regulated entity. The Manager is a corporate authorised representative of Equity Trustees Limited.

Offering

Offering Size	The Manager is seeking an aggregate of $40 million to $60 million in subscriptions for Shares from Investors.
Currency	The Company's activities will be denominated in Australian dollars ("**AUD**").
Placement Agent	Shed Enterprises

Investment Strategy

Investment Objectives	The investment objectives of the Company are to carry on the Business, develop and expand the Business, and maximise the long-term value of the Business (see 'Business and Investment Objectives' above). The Company anticipates that yield will be provided through the sale of energy via: (a) fixed price energy purchase agreements; and (b) the energy market. Once the site has an operational track record liquidity will be provided, as described in 'Target Hold Period' above.
Use of Funds	All funds raised by the Company (including all subscription amounts and all borrowings) must be used by the Company for the purposes of carrying on the Business and promoting the objectives of the Company, and for other purposes permitted by the Transaction Documents, including: • the provision of working capital for the Company and its subsidiaries (if any) generally; • the payment of fees pursuant to the terms of the Transaction Documents (as further described in 'Fees, Costs and Expenses' below); and • the payment of various costs and expenses.

Asset Types	The Company will operate by investing in two distinct areas: **1. Construction Assets** The Manager will seek to take advantage of its extensive pipeline of construction opportunities in Australian clean energy assets. Capital will be used to fund construction of assets. Downside protection is provided from large creditworthy construction firms which will wrap construction cost and quality as well as guarantee plant performance. These assets have the potential for capital growth and income once operational. **2. Innovative Technology** The Manager will deploy an innovative technology element onsite. By using this technology, the Manager aims for cost savings in construction or yield enhancement upon sale for investors.
Acquisition Strategy	The Australia-based OR team will originate investments by leveraging its established and extensive network of relationships with potential sellers, including developers, operators, technology innovators, construction contractors, universities and investors, as well as their advisers. (a) OR's experience and track record demonstrate that it is well-positioned toaccess proprietary investment opportunities. OR's reputation, built uponoriginating, executing and currently managing over $5.1 billion of energy assets across 250 projects, provides OR with access to both competitive and off-market investment opportunities not available to other investors in thesector. In addition, OR's significant experience of evaluating, negotiating and executing key investment agreements will also benefit the Company. (b) Post-investment, the Company will benefit from the large and highly experienced OR management team that works alongside market-leading clean energy partners with a view to ensuring consistent and predictable asset performance.
Target Returns	6%–8% p.a. net IRR over the target hold period (two years from the Start Date) but noting that the Company may have a longer term (see 'Target Hold Period' above).
Hedging	The Company may employ hedging techniques which are designed to protect the Company against certain adverse commercial risks, including, but not limited to, changes in currency, interest rates and/or energy prices. While such transactions may reduce certain risks, such transactions themselves may entail certain other risks. Thus, while the Company may benefit from the use of these hedging mechanisms, unanticipated changes in interest rates, currency exchange rates or energy prices may result in a poorer overall performance of the Company than if the Company had not entered into such hedging transactions. Hedging policies may also be a pre-requisite for certain transactions such as the procurement of project finance where interest rate swaps are a standard requirement.

Borrowings and Guarantees	The Company may borrow and give guarantees in connection with any of the purposes of the Company and the Business, including to balance the aggregate subscription amounts with Project costs, and for working capital purposes. Senior debt may be secured on the Assets and will contain covenants and other restrictions related to payment and default, which may give senior lenders preferred rights over those of the Company. The ability of the Company to make an investment in the Project or to refinance such investments already made may be dependent upon the availability and pricing of debt finance from third-party lenders. There can be no assurance that such debt finance will be available or available on terms that will enable the Company to generate its expected rates of return. Target gearing for the Company will depend on the terms available in the banking market, which the Manager will closely monitor. OR has strong and established relationships with many leading lenders in the international and Australian renewable energy banking market. The Manager is well placed to secure optimal debt financing terms. It is not expected that gearing will exceed 50% of aggregate subscriptions. The Company may obtain project finance from one or more entities managed by a related body corporate of the Company and the Manager.

Acquisition of Project and Payment of Subscription Amounts

Acquisition of Project	The Manager intends to acquire the relevant solar PV project(s) as soon as reasonably practicable following the Start Date and expects that this will be no later than 6 months following the receipt of Subscription Amounts from investors.
Payment of Subscription Amounts	Each Investor will be required to provide payment for its full Subscription Amount to the Company within 10 business days' notice from the Manager requesting such payment. Following receipt of such amount Shares will be issued to Investors in accordance with the terms of the relevant Transaction Documents.

Dividends

Dividends	The Company may declare and pay dividends, and all dividends will be paid pro rata to shareholder of the Company ("**Shareholders**") according to their holding of Shares. All dividends made by the Company will be made in cash or as a dividend in kind (as determined by the Company). The Company does not intend to declare or pay any dividends other than in connection with an Exit Event.
Distributions Following Exit Event	On or following the occurrence of an Exit Event and realisation of the Assets, distributions must be paid pro rata to Shareholders according to their holding of Shares, and subject to the payment of the fees, costs and expenses described in 'Fees, Costs and Expenses' below.

Restrictions on Disposal of Shares

Disposal of Shares	Investors may not sell, transfer, assign or otherwise deal with or dispose of any Share (each a "**Disposal**") unless the Board unanimously resolves to allow the Disposal, or the Disposal is made in connection with an Exit Event pursuant to the Shareholders Deed.

Fees, Costs and Expenses

Establishment Costs	The Company will bear any fees, costs and expenses incurred in connection with the establishment of the Company (including the admission of Investors) up to an amount equal to 1.5% of aggregate subscription amounts (the "**Establishment Costs Cap**"). The Manager will bear any fees, costs and expenses incurred in connection with the establishment of the Company (including the admission of investors) in excess of the Establishment Costs Cap.
Establishment Fee	On the Start Date the Manager will be entitled to, and the Company will pay to the Manager, an establishment fee in respect of each Investor of a sum equal to 1.5% of that Investor's subscription amount plus GST ("**Establishment Fee**").
Management Fee	The Manager is entitled to an annual management fee of a sum equal to 1.5% of the value of the net Assets held by or on behalf of the Company plus GST (the "**Management Fee**"). For the purpose of the calculation of the Management Fee the value of the net Assets will be calculated by reference to each anniversary of the Start Date and immediately prior to the Exit Event. The Management Fee will accrue from the Start Date but will only be paid to the Investment Manager on or following the Exit Event Date.
Performance Fee	(a) On or following the occurrence of an Exit Event and realisation of the Assets, amounts available for distribution will be paid pro rata to Investors according to their holding of Shares until the total of all such distributions paid to those Investors equals the sum of: i. the total of the subscription amount paid by that Investor in respect of the Shares held by it; and ii. a 6% per annum internal rate of return on the amount in paragraph (a)(i) calculated from the Start Date until the Exit Event Date. (b) Any distribution in excess of the amounts distributed under paragraph (a) above, will be made: i. 80% to Investors pro rata to their holding of Shares; and ii. 20% to the Manager (the "**Performance Fee**").
Manager Expenses	The Company must pay or reimburse the Manager all taxes (other than income tax with respect to the Manaager's fees and business), costs, charges, expenses and disbursements properly incurred in connection with the provision of the management services by the Manager.
Nominee and Custodian Fees	All fees, costs and expenses (plus any applicable GST) payable to: • the Nominee pursuant to the terms of the Nominee Deed; and • the Custodian pursuant to the terms of the Custodian Agreement, will be borne by the Company,

Operating Costs	All fees, costs and expenses (plus any applicable GST) related to the ongoing operations of the Company will be borne by the Company, including, without limitation, all: (a) legal, accounting, tax, regulatory, audit, professional adviser, consultancy,depositary, intermediary, administration, finance, interest, borrowing,hedging, platform, travel, litigation, arbitration, insurance, liquidation,valuation, certification, meeting, reporting, printing, and compliance; (b) expenses incurred by the Board in its performance of its duties in respect of the Company; (c) broken deal costs; and (d) all governmental or regulatory charges. Notwithstanding the above, the Manager and its affiliates will, save as provided in the Transaction Documents, be responsible for their own office costs and the remuneration costs of their respective personnel.
Other Fees	Other than the Establishment Fee, Management Fee and the Performance Fee, none of the Manager, and/or any of their associates, will charge any further transaction, underwriting, abort and/or similar fees save, on an arm's-length basis, in connection with an acquisition or disposal of an asset by the Company. Notwithstanding the above, neither the Manager nor any of its associates shall be prevented from charging fees to portfolio companies in respect of asset and portfolio debt management services which are separate from the operation of the Company.

Reports, Accounts and Governance

Auditor	Deloitte
Accounts and Reports	The Company will send to all Investors (or as otherwise directed by an Investor), within 6 months of the financial year end: • audited accounts together with all reports and notes relating thereto; and • audited consolidated accounts for all group companies together with allreports and notes relating thereto, in each case prepared in accordance with applicable accounting standards and the Corporations Act 2001 (Cth).
Valuations	At a minimum, valuations will be performed annually and otherwise as determined by the Manager (including for the purpose of calculating the Management Fee). Valuation of the Assets and portfolio will be determined in line with OR's valuation policy and reflect the enterprise value of each asset within the Company. OR's valuation policy is reviewed annually by a qualified independent valuation firm. OR's valuation policy incorporates a discounted cashflow methodology, with operational assumptions sourced either from contracts or from third party advisor produced forecasts.

Miscellaneous

Conflicts of interest	In the event that any actual or potential conflict of interest arises, the Company and the Manager will endeavour to ensure that it is resolved fairly, considering the respective interests of the parties involved. While the Manager will seek to act in the best interests of the Company the management of such conflicts of interest may result, for example, in the Company being precluded from being involved in, or completing, a potential investment. The Manager, in its sole discretion, may decide not to proceed with an investment, or not to pursue an investment opportunity for the Company because of a conflict of interest.

C. Restrictions and Overseas Investors

This Memorandum does not constitute, and may not be used for the purposes of, an offer to subscribe for Shares or an invitation to apply to participate in the Company by any person in any jurisdiction in which such offer or invitation is not authorised or in which the person endeavouring to make such offer or invitation is not qualified to do so or to any person to whom it is unlawful to make such offer or invitation.

Foreign Persons

Each Prospective Investor who is a 'foreign person'[49] should consider whether an acquisition of units gives rise to a compulsory notification requirement to the Treasurer of the Commonwealth of Australia (the **Treasurer**), through the Foreign Investment Review Board (**FIRB**), under the Foreign Acquisitions and Takeovers Act 1975 (the **FATA**). Whether such a notification requirement exists will depend upon, among other things, the identity of the foreign person (for example, whether the person is considered a foreign government investor under the FATA). Each Prospective Investor who is a foreign person should consult with their own advisors regarding the application of Australia's foreign investment regime.

Where a compulsory notification requirement arises, it is an offence not to provide notice to the Treasurer, or to proceed with the proposal before the expiry of the prescribed statutory period or before receiving approval from the Treasurer (whichever occurs first).

The Treasurer must consider an application within the 'decision period', being 30 days from the date FIRB confirms receipt of the relevant fee from the applicant. The decision period can be extended, either voluntarily upon request from the applicant (for such period agreed to by the applicant and FIRB) or via an interim order made by the Treasurer (which can extend the statutory period by up to 90 days).

Fees are payable in respect of applications made to FIRB. The fees that are payable will depend upon the particular transaction being undertaken. These fees are indexed on an annual basis.

[49] A foreign person is defined in the FATA to mean the following:
(a) an individual not ordinarily resident in Australia; or
(b) a corporation, or the trustee of a trust, in which an individual not ordinarily resident in Australia, a foreign corporation or a foreign government holds a substantial interest (being an interest of 20% or more); or
(c) a corporation, or the trustee of a trust, in which two or more persons, each of whom is an individual not ordinarily resident in Australia, a foreign corporation or a foreign government, hold an aggregate substantial interest (being an interest of 40% or more); or
(d) a foreign government; or
(e) any other person, or any other person that meets the conditions, prescribed by the Foreign Acquisitions and Takeovers Regulation 2015 (Cth).

D. Tax considerations

The following tax comments provide an overview of the relevant Australian income tax, capital gains tax ("**CGT**"), GST and stamp duty implications for potential Australian and foreign resident wholesale investors ("**Equity Investors**"), including Australian superannuation funds, in the acquiring, holding and disposing of an interest in the Company. The tax comments are based upon the tax law in Australia in force as at the date of this Memorandum.

Australian tax laws are complex. This summary is general in nature and is not intended to be an authoritative or complete statement of all potential tax implications for a potential investor. The tax laws of Australia or their interpretation may change during the period in which the Equity Investors hold interests in the Company. The precise implications of ownership or disposal will depend upon each investor's specific circumstances.

Investors should seek their own professional advice on the tax implications of holding or disposing of their interests, taking into account their specific circumstances.

Taxation treatment at the Company level

General

The Company should be a qualifying early stage investment company ("**ESIC**") for tax purposes at the time of investment on the basis that it satisfies the relevant requirements, including the early stage criteria and innovation criteria.

The early stage criteria require, broadly, that the Company:

- Was recently incorporated or registered;
- Had total expenses (including wholly owned subsidiaries) of less than $1million in the prior income year;
- Assessable income of less than $200,000 in the prior income year; and
- Is not listed on any stock exchange (Australia or overseas).

Each of these criteria will be satisfied by the Company at the time of investment.

As mentioned in Section 1 the Company plans to obtain a Private Binding Ruling ("**PBR**") from the Australian Tax Office ("**ATO**").

Tax profile

Generally, companies are subject to income tax at the corporate tax rate of 30% unless the concessional small business rate applies. Currently, small business entities with annual turnover below $10 million are taxed at a lower rate of 27.5%. Given the scale of the Company's proposed operations this concessional rate is not anticipated to be available.

For completeness, we note that the Company may incorporate wholly owned subsidiaries in the future, with which it can elect to form a Tax Consolidated Group ("**TCG**") for Australian income tax purposes. The tax consolidation regime treats TCGs as a single entity, and as such, all transactions between group members are ignored for income tax purposes. The Company would be responsible, on behalf of the Group, for the payment of all income tax related liabilities.

Tax losses should be available to be carried forward and utilised against future taxable income subject to satisfying the loss recoupment rules.

Taxation treatment at the Equity Investor level

General

Your eligibility for the early stage investor tax incentives will depend on your circumstances as well as whether the Company meets the ESIC requirements at the time immediately after it has issued you with new shares.

Accordingly, you should make the relevant enquiries with the Company to confirm that its ESIC status has not changed prior to undertaking the investment, and you should also consider whether you are eligible as an investor at, and immediately after, the time the Company issues Shares to you.

Investors in a qualifying ESIC may be eligible for tax incentives. The tax incentives provide eligible investors who purchase new shares in an ESIC with a:

- Non-refundable carry forward tax offset at the outset equal to 20% of the value of their investment subject to a maximum offset cap amount of $200,000 (referred to herein as the "**Tax Offset**"); and
- Modified CGT treatment, under which capital gains on qualifying shares that are continuously held for at least 12 months and less than 10 years may be disregarded. Capital losses on shares held less than 10 years must be disregarded.

The early stage investor tax incentives are available to both Australian resident and non-resident investors.

Qualifying for the Tax Offset

The entitlement to the early stage investor tax incentives is contingent on the company issuing shares being an ESIC. On the basis that the Company meets the requirements of an ESIC and should continue to meet the requirements of an ESIC following the issuance of new shares in the Company to Investors, the Tax Offset should be available where the relevant requirements are satisfied (see below).

The Tax Offset is available to all investors, regardless of their preferred method of investment (whether made directly as a corporation or individual or indirectly through a trust or partnership) other than 'widely held' companies and wholly owned subsidiaries of these companies. A trust or partnership will not directly be entitled to the Tax Offset; however, specific rules apply to ensure that the value of these tax incentives flow through to beneficiaries and partners (as relevant) where such an investment method is chosen.

Broadly, the following requirements must be satisfied in order for an eligible investor to be entitled to the Tax Offset:

- The investor acquires new shares in the Company.
- The Company is not an affiliate of the investor entity, nor is the investor entity an affiliate of the ESIC at the time the relevant shares are issued.
- The investor does not hold more than 30% of the equity interests of an ESIC, including any entities 'connected with' the ESIC, immediately after the investor is issued with the new shares.
- The investor has not acquired the shares under an employee share scheme.

If the Company ceases to be an ESIC after an eligible investor has qualified for the tax incentives, this will not impact upon the investor's entitlement to the early stage investor tax incentives for the shares.

Amount of the Tax Offset

The amount of the Tax Offset for a qualifying investor is 20% of the amount invested in one or more qualifying ESICs, capped at $200,000 on an affiliate-inclusive basis for wholesale investors.

The Tax Offset is non-refundable and can be carried forward. However, the maximum amount that can be carried forward to the next income year is $200,000.

The Tax Offset is only available against Australian income (and therefore, non-resident investors will only be able to take advantage of the offset where they also have taxable Australian income in a given income year).

Modified CGT treatment for investments

The CGT treatment of shares in a qualifying ESIC is modified where the issuing of the shares gives rise to an entitlement to a tax offset. Broadly:

- The investor is deemed to hold the issued share(s) on capital account.
- An investor may disregard a capital gain arising where the qualifying share was held between 1 and 10 years (the investor may not disregard any capital gains if the qualifying shares are held for less than 12 months).
- An investor that holds a qualifying share for more than 10 years will receive a market value (included for cost base purposes) on the 10-year anniversary date.

Generally, special rules apply to preserve the modified CGT treatment for qualifying shares when CGT roll-over is applied (i.e. the original acquisition date of qualifying shares is generally preserved), however some mechanisms may terminate the modified CGT treatment when certain roll-overs are applied.

A disposal of a share, whether the result of a redemption or transfer of the share, will be a CGT event for the Investor. Each Investor should calculate their capital gain or loss according to their own particular facts and circumstances.

Australian-resident investor

Where an Australian-resident investor disposes of their shares in the Company prior to holding for 12 months, a capital gain will arise if the capital proceeds (i.e. consideration) received by the Investor exceeds the Investor's cost base. The discount capital gains tax concession of 50% for eligible individual investors should not be available on the basis that the investment was held for less than 12 months at the time of disposal. Any capital losses arising from the disposal of the investment may be used to offset other capital gains the investor may have derived. Net capital losses may be carried forward for offset against capital gains of subsequent years but may not be offset against ordinary income.

Non-resident investor

Where a non-resident Investor disposes of their shares in the Company prior to holding for 12 months, any capital gain or capital loss arising will be disregarded unless the shares are considered to be taxable Australian property ("**TAP**"). An asset will be TAP for the purposes of Australian tax law if it is either an interest in Australian real property (e.g. land) or an indirect Australian real property interest.

Given that the Company will not have a direct interest in Australian real property, disposal of shares in the Company should only be subject to Australian CGT if, broadly:

- more than 50% of the value of the Company is derived from taxable Australian real property ("**TARP**") or leasehold interests in real property in Australia, whether directly or indirectly;
- the foreign resident investor, together with any associates, directly holds at the time of the disposal, or owned throughout a 12 month period that began no earlier than 24 months before the time of the disposal, 10% or more of all the issued shares in the Company.

Provided that no foreign investor has a shareholding of 10% or more in the Company, its shares should not be TAP and no CGT should apply to a disposal by a foreign investor.

Distributions – the Company

Distributions paid by the Company are likely to be considered dividends for Australian tax purposes. Dividends may be franked (i.e. paid out of previously taxed profits) or unfranked (i.e. paid out of untaxed profits).

A genuine return of capital to Investors will not be immediately taxed but will reduce the tax cost base of the shares held by the investor.

Australian-resident investors

Dividend payments will be taxable at each Investor's respective tax rate. Where franked dividends are received from the Company, Australian investors may use the attached franking credits as an offset against tax liabilities arising from the receipt of franked dividends or other income.

Non-resident investor

Fully franked dividends (i.e. those paid from taxed profits) will not be subject to withholding tax. To the extent that dividends are unfranked, the Company will be required to withhold tax at a rate of 30% from the portion of unfranked dividends, unless this is reduced under a treaty agreement between Australia and the jurisdiction in which the Investor is tax resident.

This is a non-final withholding tax, and the non-resident Investor should be required to lodge an Australian income tax return. In this return, the Investor may claim deductions for any relevant expenses incurred in deriving the Australian trust income and receive a refund for tax withheld by the Company.

GST

No GST should be payable by an Investor in respect of the acquisition or disposal of shares or in respect of distributions received from the Company.

Stamp Duty

Each state and territory in Australia have separate rules imposing either transfer or landholder duty on transactions. Transfer duty arises on direct acquisitions of dutiable property which can include transfers of interests in land, and landholder duty is payable on acquisitions of interests in landholding entities.

Most States and Territories in Australia impose stamp duty in certain circumstances under the landholder rules on the acquisition of shares in a company which owns land (directly or indirectly) above a minimum value in that State or Territory. Whether or not the Company is a landholder in any State would need to be assessed at the time of a potential transaction, having regard to the nature of its assets at that time and the proportionate interest in the Company acquired by the investor. Generally, an Investor will need to acquire an interest in excess of 50% in the landholding entity to give rise to any adverse stamp duty implications. On the basis that no Investor will be acquiring more than 30% of the interests in the Company, there should be no stamp duty implications arising – however, each Investor should ensure that they obtain specific tax advice in relation to their individual circumstances in order to confirm this position.

E. Definitions and Glossary

"AEMO"	means the Australian Energy Market Operator.
"AFSL"	means Australian financial services licence.
"AIP"	means approval in principle.
"ARENA"	means the Australian Renewable Energy Agency.
"ASIC"	means the Australian Securities and Investments Commission.
"ATO"	means the Australian Taxation Office.
"BPR"	means Business Property Relief.
"CAR"	means Corporate Authorised Representative Agreement between the Equity Trustees Limited and the Manager.
"CGT"	means capital gains tax.
"Company"	means Eucalyptus Solar Pty Limited.
"Corporations Act"	means the Corporations Act 2001 (Cth).
"Custodian"	means Equity Trustees Limited (ACN 004 031 298) in its capacity as custodian.
"EIS"	means Enterprise Investment Scheme.
"ESG"	means environmental, social and governance.
"ESIC"	means Early Stage Innovation Company.
"Equity Trustees"	means Equity Trustees Limited (ACN 004 031 298), a licensed entity holding Australian Financial Services License 240975.
"EU"	means the European Union.
"FATA"	means the Foreign Acquisitions and Takeovers Act 1927 (Cth).
"FCA"	means the UK Financial Conduct Authority.
"FID"	means final investment decision.
"FIRB"	means the Foreign Investment Review Board.
"Forward-Looking Information"	means any future projections, forecasts, targeted returns or illustrative returns of the Company as described on page 4 of this Memorandum.
"Gross IRR"	means the gross internal rate of return (pre-annual management fee, performance fees, taxes and expenses).
"GW"	means Giga Watt.
"HSE"	means health, safety and environment.
"Investor"	means an investor in the Company that hold legal and/or beneficial title to one or more Shares.

"Investment Committee"	means the Octopus Investments Australia Investment Commit.
"Joule"	means a unit of energy. 1 J = 1kg x m2/s2.
"Management Agreement"	Means the investment management agreement between the Company and the Manager.
"Manager"	means Octopus Investments Aust Pty Ltd (ACN 626 662 039) in its capacity as the investment manager of the Company (or any duly appointed replacement manager).
"Memorandum"	means this information memorandum.
"MW"	means Mega Watt.
"NEM"	means the National Energy Market.
"Net IRR"	means net internal rate of return.
"Nominee"	means Equity Trustees in its capacity as nominee.
"Nominee Deed"	Means the nominee deed to be entered into between the Company, Equity Trustees Limited and certain Investors.
"O&M"	means operations and maintenance.
"Octopus Group"	means Octopus Capital Limited, a UK private company and its majority owned subsidiaries, including the Manager.
"Octopus ESIC"	means the Company.
"OI UK"	means Octopus Investments Limited.
"OIAIC"	means the Octopus Investments Australia Investments Committee.
"OR"	means the Octopus Renewables Investment team.
"OR Australia"	means the Australian based OR.
"Owner's Engineer"	means the engineer employed by the Company as described in Section 8.7 of this Memorandum.
"PAC"	means provisional acceptance.
"PBR"	means Private Binding Ruling.
"PID"	means preliminary investment decision.
"PPA"	means Power Purchase Agreement.

"Project"	means the solar PV project(s) that will be acquired by the Company.
"Prospective Investor"	means a prospective investor in the Company as described on page 4 of this Memorandum.
"SD"	means Standard Degradation.
"Share"	means a share in the Company.
"Shareholder"	means a person that holds legal and/or beneficial title to one or more Shares.
"Shareholders' Deed"	means the shareholders' deed entered into between the Company, the Investment Manager and the Investors.
"Solar PV"	means solar photovoltaic plants.
"SPV"	means special purpose vehicle.
"Subscription Deed"	means the subscription deed to acquire Share in the Company.
"TAP"	means taxable Australian property.
"TARP"	means taxable Australian real property.
"Tax Act"	means the Income Tax Assessment Act 1997 (Cth) or the Income Tax Assessment Act 1936 (Cth).
"Transaction Documents"	means each of the Constitution, Shareholders Deed, Subscription Deed and Nominee Deed.
"Treasurer"	means the Treasurer of the Commonwealth of Australia.
"UNSW"	means University of New South Wales.
"UK"	means the United Kingdom.
"VCT"	means Venture Capital Trust.
"Watt"	means a unit of power, equal to one Joule per second.

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