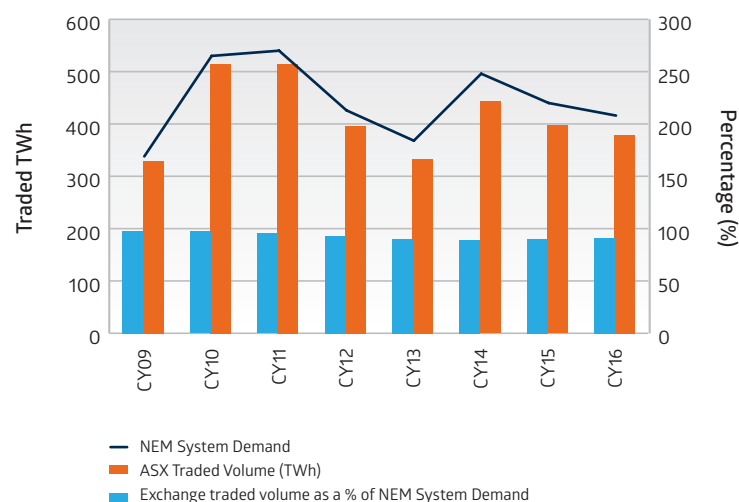


Energy Focus 2016

2016 saw dynamic changes in the Australian energy market:

- Reduction in base load generation capacity with the closure of Northern power station and announcement of Hazelwood Power Station closing
- The emergence of high gas prices, particularly over winter which drove higher electricity prices
- Higher average spot electricity prices combined with lower volatility led to lower \$300 Cap pay-outs
- ASX traded volume reduced by 5% year on year but face value is up 17%.

ASX Traded Volume vs NEM System Demand (TWh)



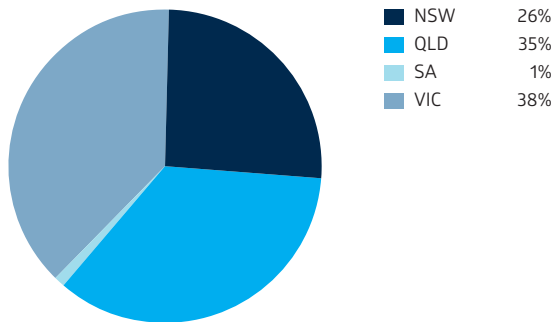
Turnover in ASX continues to represent over 200% of underlying physical electricity demand in the National Electricity Market (NEM).

	Cal 2016	Cal 2015	Change
Contracts traded*	175,247	184,289	-5%
Avg Daily Volume*	687 contracts 1.48 TWh \$72.8M face value	720 contracts 1.55 TWh \$61.7M face value	-5%
% of underlying physical electricity consumption	208%	220%	-12%
Total Traded TWh	378 TWh	397 TWh	-5%
Face Value Traded*	\$18.56 billion	\$15.8 billion	+ 17%
Open Interest (COB 31 Dec)	56,714	57,205	-1%

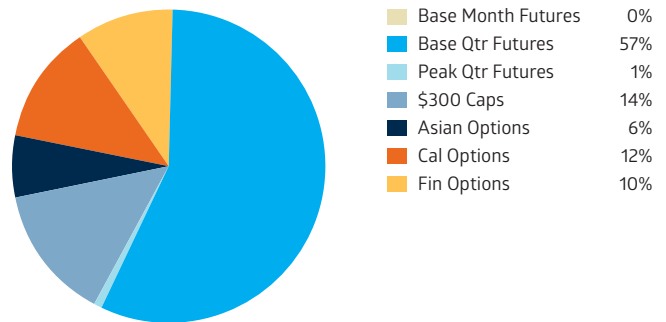
* Contract traded volume is quoted on a 1 MW calendar quarter-equivalent basis. Face value of options calculated at strike. Trade volume includes futures resulting from option exercise.

2016 ASX Liquidity Review

Regional Breakdown



Contract Breakdown



2016 Electricity Futures Activity

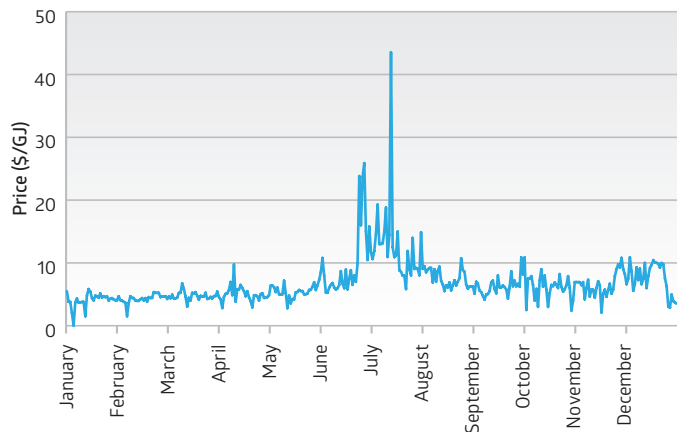
Q1 – QLD was the most volatile region in Q1 having traded as high as \$100/MWh, the quarter settled at expiry at \$80.42 and the cap settled at \$24.51. With additional load from the Curtis Island LNG plants, there were frequent spot market spikes, particularly associated with two distinct periods of heat in late February. Other regions settled in the \$40 range with the \$5.23 cap pay-out in Victoria representing the next most volatile region.

Q2 – Warm weather extended deep into Q2 with temperatures only dropping away at the very end of May. When winter did finally arrive it collided with a much tighter domestic gas market courtesy of the start-up of additional QLD LNG plants over the previous summer. Spot gas markets set new price highs, particularly Victoria with one morning over \$40. These high gas prices flowed through to the electricity market where average energy prices saw a significant climb across all regions.

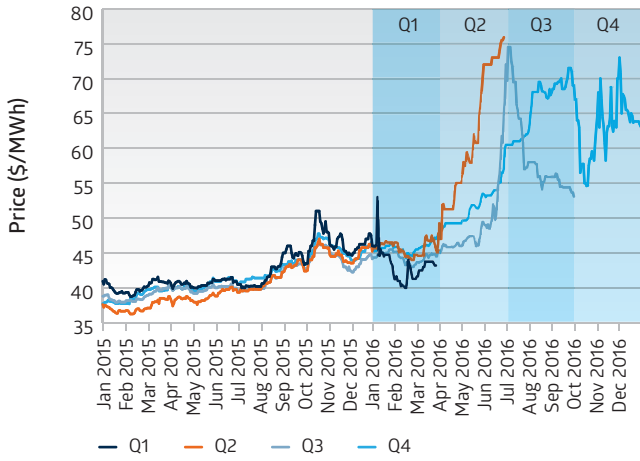
Q3 ultimately saw a return to ~\$50 electricity prices with relatively low volatility and near zero pay-outs in the caps with the exception of South Australia where the electricity market was suspended following a major storm which caused a state wide blackout. In the eastern seaboard regions Q3 futures prices had rallied towards the end of Q2 to approx ~\$60, drawn up by heightened spot prices, however as Q3 got underway futures prices quickly fell back to ~\$50.

Q4 saw \$63 prices across NSW and QLD as the return to service of a major baseload coal plant on planned outage was delayed. Average Victorian spot prices fell away to \$33 with a zero cap pay-out while SA averaged \$72.93 of which \$16.58 was in the \$300 cap despite increased generation from baseload units.

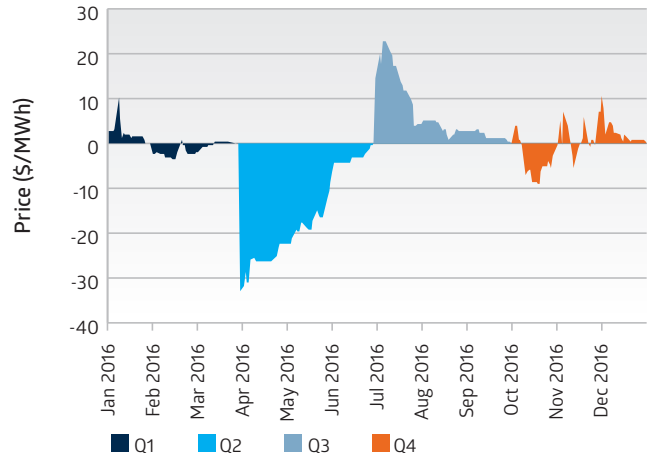
6am Victorian Gas Price



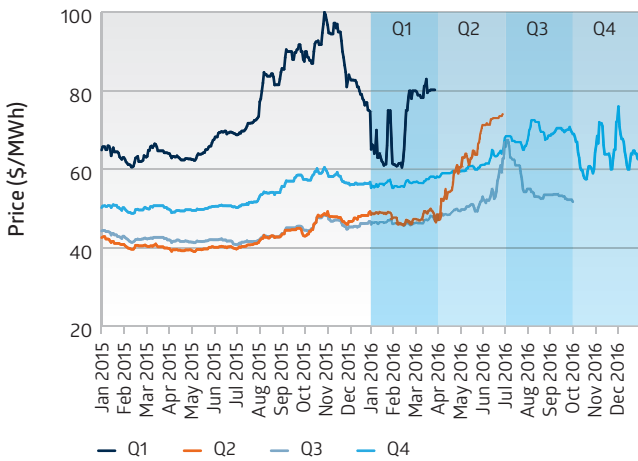
New South Wales



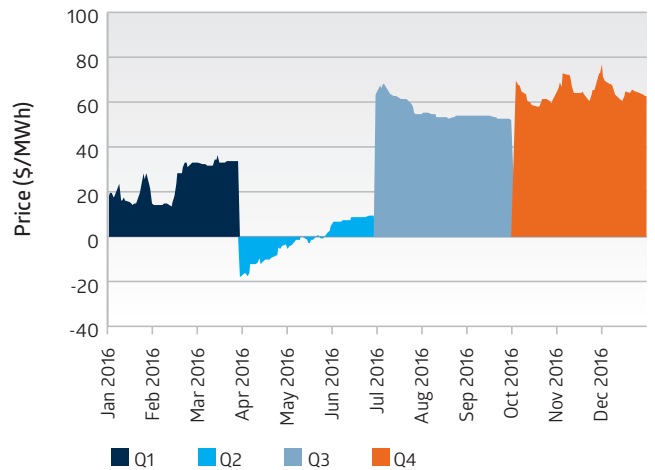
Spot Contract Premium/Discount*



Queensland

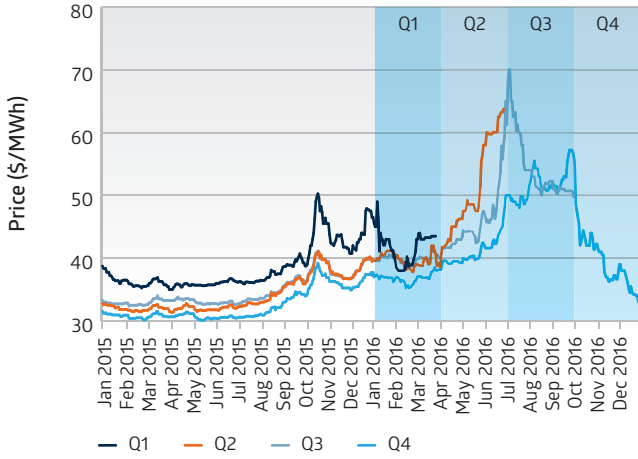


Spot Contract Premium/Discount*

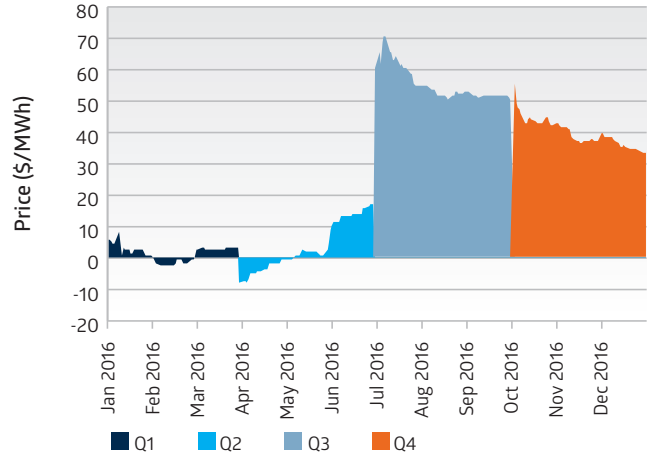


* The spot contract premium/discount charts displays where the contract traded relative to the final expiry price of the contract.

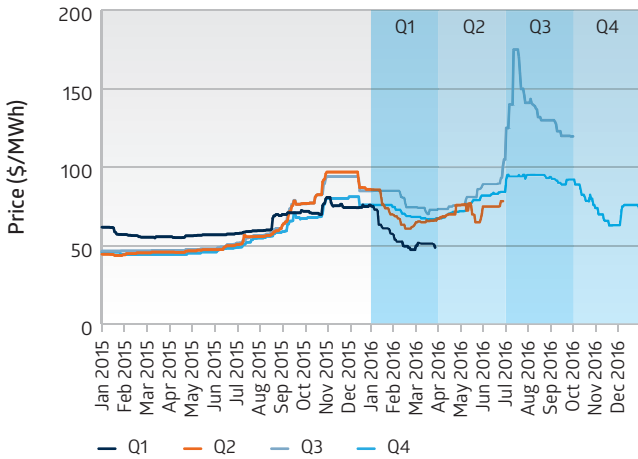
Victoria



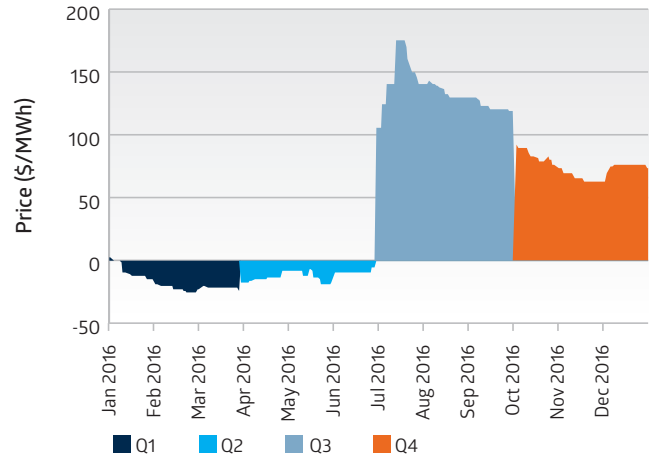
Spot Contract Premium/Discount*



South Australia



Spot Contract Premium/Discount*

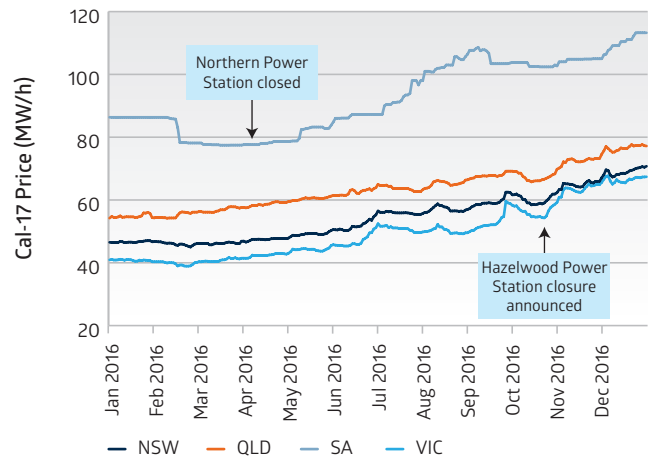


* The spot contract premium/discount charts displays where the contract traded relative to the final expiry price of the contract.

How the Market saw 2017

In 2016, the market took a view of a tighter supply/demand balance in 2017 with a bullish market driving higher prices. Binary events contributing to this included the closure of Northern Power station in May and the announcement in November that Hazelwood Power Station would also close in March 2017.

As we conclude a very active Q1 2017 vs Q1 2016, the market is now reacting to a new electricity network without a significant Victorian power station.



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