PACIFIC ENERGY LIMITED

ASX : PEA

PACIFICENERGY

HALF YEAR RESULTS PRESENTATION *INCLUDING CONTRACT POWER ACQUISITION*

MARCH 2018

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HY18 Highlights

Financial

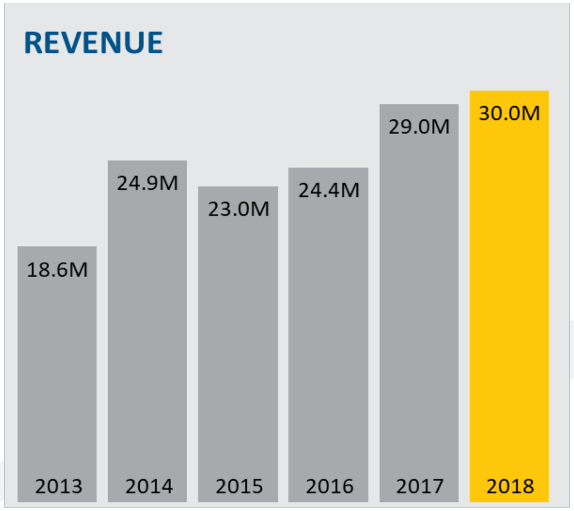
- Revenue up 3% to $30m
- Underlying EBITDA also up 3% to $21m; reported EBITDA down 4% to $20.3m
- $1.5m in combined adjustments between underlying and reported EBITDA comparison, including $0.7m costs in current half for due diligence on acquisition opportunities
- Operating cash flow up 3% to $17.3m
- Interim dividend maintained at 1.0 cps fully franked; DRP activated
- Balance sheet in good health and able to support significant further growth – gearing only 16%
- On track to meet full year underlying EBITDA guidance of $43m - $44m; 2H18 forecast to deliver growth

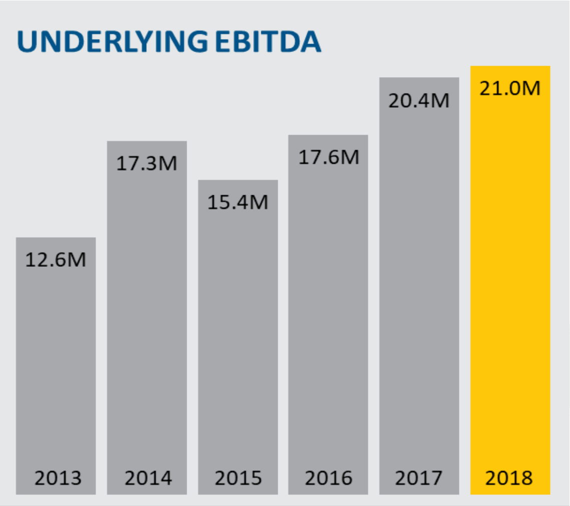
EBITDA COMPARISON	Dec 17 $'000	Dec 16 $'000
EBITDA – Reported	20,336	21,277
Acquisition / due diligence costs	710	-
Less: Profit on sale of investment	-	(816)
EBITDA – Underlying	**21,046**	**20,461**

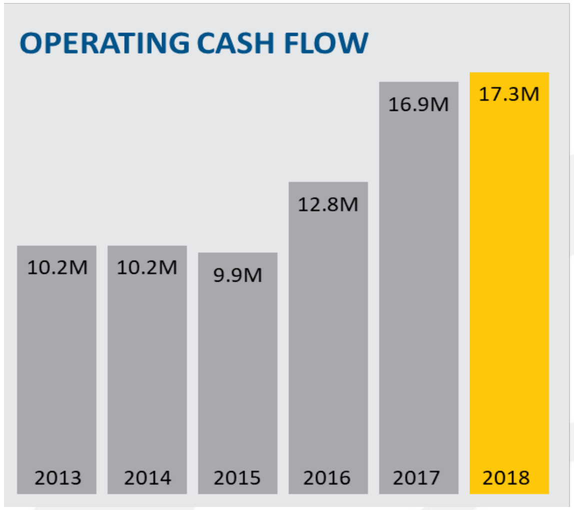
Operating

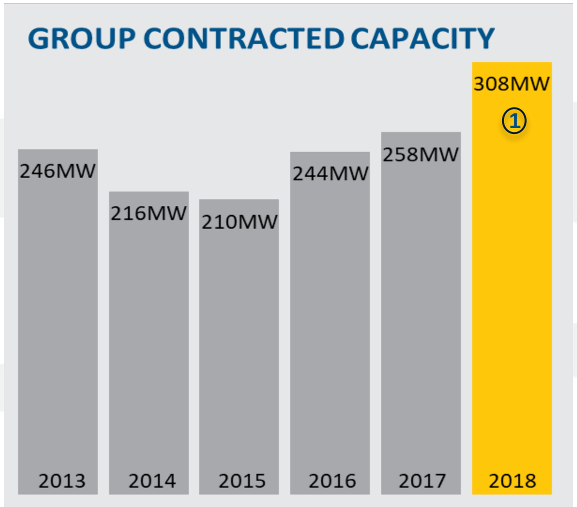
- Record level of contracted / installed capacity – 308MW - up 20% from same time last year, despite lower than expected success rate in greenfields mining projects
- Various contract expansions and two new power stations led to high level of installation activity and capex of $14m. Full benefits will be realised in 2H18 and beyond. 2H18 capex will be modest as most new work is near completion
- NovaPower acquisition completed ($7.9m) – strategic and expandable grid connected asset in Victoria
- Agreement signed to acquire Contract Power for $90m effective 1 April 2018 – landmark transaction

Continuing demonstration of reliability and resilience through the cycles









1 **Current – includes 24MW under final stages of construction / commissioning**

Recent Activity

- **High level of installation and construction activity from contract expansions and new contracts**
  - **5MW expansion at Carosue Dam (Saracen) and contract extension to 2021 - operational**
  - **4MW expansion at Garden Well (Regis), and contract extension to 2023 (Duketon contract also extended by Regis to 2020) – commissioned March 2018**
  - **3MW expansion at Fortnum (Westgold); currently under contract to 2022 – under construction**
  - **4MW new contract for Sandfire’s Monty site to 2021 – commissioned March 2018**
  - **10MW acquisition of NovaPower – operational**
  - **2MW expansion at Tanami operations for Newmont and contract extension to 31 December 2018 – operational**
  - **11MW new contract for Altura’s Pilgangoora project to 2023 – commissioned March 2018**
- **Newmont recently chose an alternative provider for gas power generation at Tanami following formal tender process. KPS was unsuccessful despite “sharp” pricing and will now demobilize existing diesel assets sometime after December 2018 when new gas station is commissioned. Assets will be available for redeployment and reduce future capex requirements**
- **Africa tendering activity remains encouraging but slow decisions**
- **Reviewing strategic asset and business acquisitions**

NovaPower Acquisition

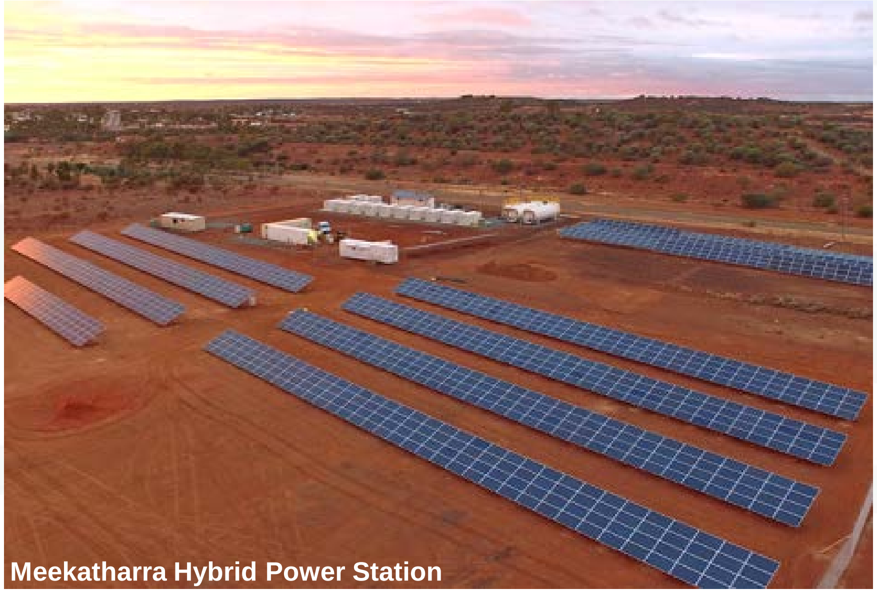
- 10MW gas-fired NEM connected power station in Victoria, commissioned in 2014
- Acquired by PEA in December 2017 for $7.9m
- High-efficiency / low emissions power station which generates in quick response to electricity demand in peak periods
- Operates when the spot price of electricity exceeds the cost of acquiring gas plus an R&M allowance
- Nova site has an ability to expand, with gas supply infrastructure in place to fuel a 20MW plant
- Other potential opportunities to expand power supply facilities at the 2 hectare site to be examined (e.g. battery storage technology; gas storage technology)
- Well-timed and affordable acquisition of a strategic and expandable asset given Federal Government's new policy aimed at reliability as well as emissions

Contract Power Acquisition – Business Background

- Founded by Leon Hodges in 1991 in Perth
- Specialist provider of remote power generation with outstanding reputation and relationships
- Regarded as a leader in the remote power sector, alongside KPS
- As well as "Build Own Operate", also undertakes select EPC contracts, having completed projects in Australia, Africa and Asia
- Expertise and proven track record in:
  - diesel
  - gas
  - renewables
- End users include mining projects (largest power provider in emerging hard-rock lithium sector) and remote townships
- Same annuity style income as KPS
- www.contractpower.com.au

Contract Power Acquisition – Operational Benefits

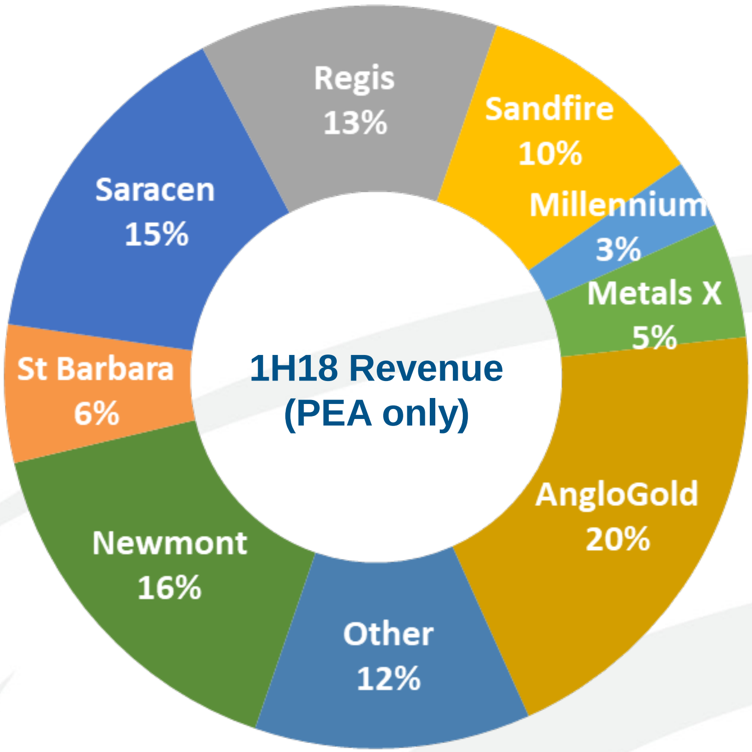
- **Additional geographic, customer and delivery diversity**
- **Expanded and increasing portfolio of long-term contracts**
- **Gives PEA significantly more scale and reach, now with over 30 long term power generation contracts**
- **Significant value in Contract Power's underlying asset and equipment base:**
  - **82MW of installed power generation (58MW under long term contracts; 24MW care & maintenance) + considerable additional power generation assets, stock and equipment available for use across the enlarged group**
  - **gives both businesses access to an expanded available asset base for future requirements**
  - **leads to improved combined utilisation**
  - **and lower joint future capital expenditure**
- **Access to new customers and industry relationships**
- **Similar high standards and cultures (low integration risk)**
- **Significant buying power within power generation industry**



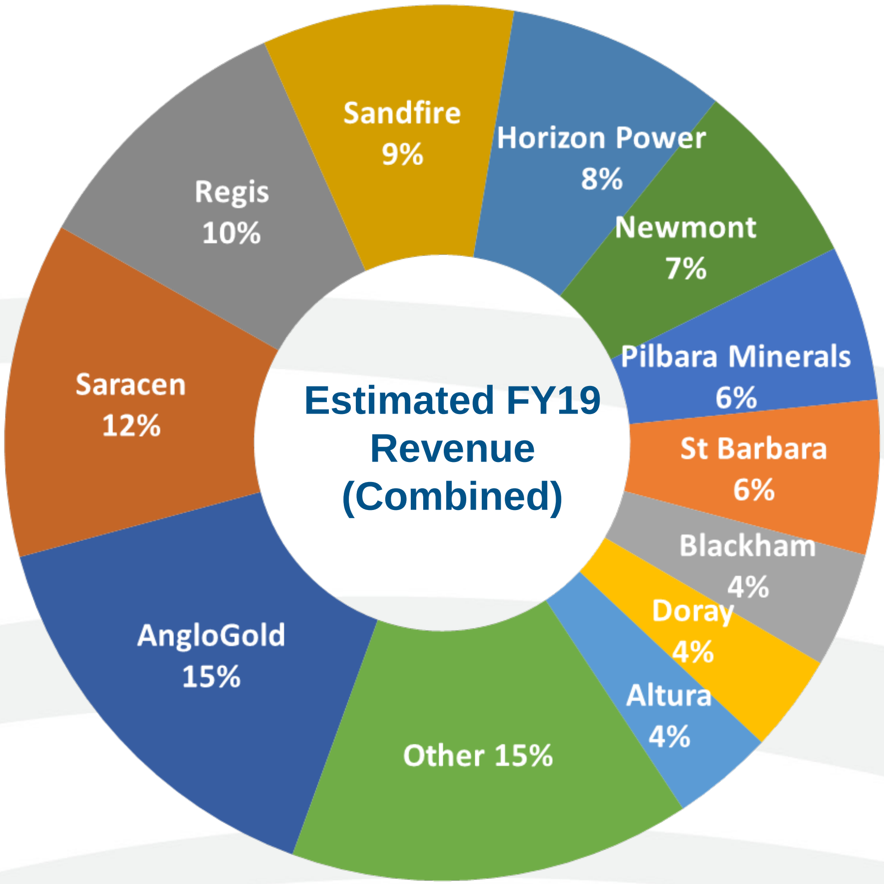
Meekatharra Hybrid Power Station

Diverse and Expanded Customer Mix

Pre-Acquisition



Post-Acquisition



End User Markets						
Gold	Copper	Lithium	Mineral Sands	Manganese	Townships	NEM

Longer and stronger earnings profile

- Multi-year contracts with take or pay revenue provide outstanding visibility and reliability
- Annuity style earnings through guaranteed monthly minimum payments – selection of major contracts below

Client	Site	Industry	FY18	FY19	FY20	FY21	FY22	FY23	FY24	Current Mine Life *
AngloGold Ashanti	Tropicana	Gold	Contracted to 2028							2028
Pilbara Minerals	Pilgangoora	Lithium	Contracted to 2025							2053
St Barbara	Gwalia	Gold	Contracted to 2024							2024
Horizon Power	MidWest	Townships	Contracted to 2025							Indefinite
Galaxy Resources	Mt Cattlin	Lithium/Tantalum	Contracted to 2022							2028
Saracen	Carosue Dam	Gold	Contracted to 2021							2024
Saracen	Thunderbox	Gold	Contracted to 2021							2025
Regis	Garden Well	Gold	Contracted to 2023							2025
Energy Australia	Cardinia	NEM	Contracted to 2023							Indefinite
Iluka	Jacinth Ambrosia	Mineral Sands	Contracted to 2021							2027
Sandfire	DeGrussa	Copper/Gold	Contracted to 2022							2022
Altura	Pilgangoora	Lithium	Contracted to 2023							2031
Blackham	Matilda	Gold	Contracted to 2022							2022
Westgold	Fortnum	Gold	Contracted to 2022							2022
Doray	Deflector	Copper/Gold	Contracted to 2021							2021

*PEA estimate

Contracts have options to extend and typically roll into new terms and as mine lives extend

Contract Power Acquisition – Acquisition Structure and Funding

- Enterprise Value of $90m with consideration consisting of $85m cash and $5m in PEA shares
- Contract Power Australia Pty Ltd to become a 100% owned subsidiary on a working capital neutral/debt free basis from 1 April 2018
- Cash component funded through new $140m debt facility provided by ANZ and NAB
- Leon Hodges to continue to manage Contract Power subsidiary under initial two year term with equity and incentives
- All key staff continuing
- Several Conditions Precedent expected to be satisfied in coming weeks, with Completion to occur late March/early April
- Pacific Energy will undertake a 1 for 9 non-underwritten, renounceable rights issue at $0.50 per share to raise approx. $20m shortly following settlement of the transaction (funds not required for settlement but part of capital management strategy and banking terms)
  - Rights Issue prospectus to be dispatched in April
  - Pacific Energy's major (50%) shareholder, Ken Hall, taking up entitlement in full, as are all other directors
  - Dividends to be suspended for 12 months commencing with final FY18 dividend, pursuant to capital management strategy and banking terms

Contract Power Acquisition – Key Points Post Acquisition

- 390MW installed power generation assets plus additional assets available for deployment to new projects
- 30+ power stations in operation under multi-year contracts, covering:
  - Diesel
  - Gas
  - Hydro
  - Solar
  - Waste Heat
- Establishes position as leading remote power supplier to emerging Australian hard-rock lithium sector
- Consolidates existing position as leading remote power supplier to the Australian gold industry
- Enhances visibility and diversification of revenue streams
  - annuity style contracts with weighted average remaining duration now > 4 years
  - remote townships now included in portfolio under several 10 year contracts (with options to extend)
  - portfolio expected to increase with large pipeline of projects bid
  - ability to undertake select EPC contracts in Australia, Africa and Asia
- Significant transaction achieved with minimal dilution to shareholders
- $14 - $16m EBITDA contribution forecast for FY19; $17m - $19m EBITDA contribution forecast for FY20
- Forecast to be EPS accretive

Healthy Balance Sheet

	Jun 17 $m's	Dec 2017 $m's	Dec 2017 Pro-Forma* $m's
Cash	5.0	4.6	24.6
Receivables	6.3	7.9	7.9
PP&E	160.0	174.6	228.6
Intangibles	24.1	23.6	61.6
Other	1.4	1.3	1.3
TOTAL ASSETS	**196.8**	**212.0**	**324.0**
Current liabilities (ex debt)	6.3	8.4	8.4
Current debt	6.9	7.0	7.0
Non current debt	25.9	36.1	123.0
Deferred tax	11.5	11.0	11.0
Other	1.1	1.6	1.6
TOTAL LIABILITIES	**51.7**	**64.1**	**151.0**
NET ASSETS	**145.1**	**147.9**	**173.0**

*Assuming Contract Power Acquired and $20m Rights Issue Completed 31 December 2017

- **Balance sheet leveraged to acquire Contract Power and NovaPower**
- **Minimal dilution to shareholders post acquisition and Rights Issue**
  - **Issued shares increases from 372m to 423m**
  - **Circa 14% dilution**
- **$140m facility in place with ANZ/NAB under Club arrangement; 3 year initial term**
  - **$80m term loan (amortising to 60% over notional 7.5 year term)**
  - **$40m multi-option (revolving)**
  - **$20m capital expenditure (amortising once drawn)**
- **Net debt post acquisitions and rights issue: $105m**
- **Gearing (Net Debt : EV) 33%**
- **Interest cover 10+ times**

Outlook

- **Focus on completing Contract Power transaction ahead of FY19**
- **Existing business (excl. Contract Power) on track to deliver EBITDA guidance of $43m - $44m (up from $40m in FY17)**
- **Implies EV/EBITDA (mid range) multiple of 5.3x before Contract Power acquisition**
- **Confident of regaining Newmont lost ground through continued organic growth within existing contracts and securing new projects**
- **Strong operating cash flow post-acquisition accompanied by reduced capex**
- **Well positioned for all fuel technologies with proven capabilities in:**
  ✓ **diesel** ✓ **gas** ✓ **dual fuel** ✓ **waste heat** ✓ **solar**
- **Growth Drivers:**

Existing Customers

- Existing customers typically require increasing power generation over time
- Existing customers may also develop new projects
- Currently in discussions on several expansion opportunities
- Also in discussions on several contract extensions

New Mining Projects

- Very positive outlook for natural resources industry after several tough years
- Actively pricing a range of new projects – > 170MW in outstanding tenders and EOI's
- African market presents a new growth frontier. Market entry well received with various tenders and EOI's in progress although decision making slow. Tracking circa 40 projects

New Opportunities

- Good deal flow of opportunities for new investment (mining, non-mining, renewables, other energy related)
- Opportunities include acquisition of existing power generation assets, as well as business acquisitions or investments

Conclusion