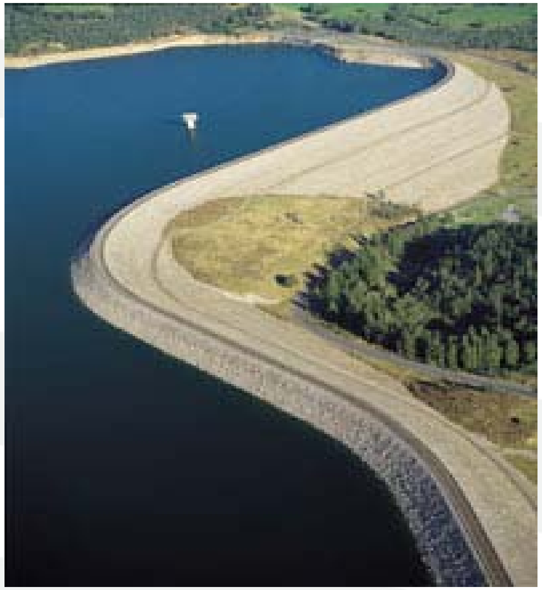
PACIFIC ENERGY LIMITED

ASX : PEA

2018 RESULTS PRESENTATION



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Key Headlines

- Revenue up 19% to $68m
- Underlying EBITDA up 10% to $44.1m
- Underlying NPAT up 14% to $18.3m
- Underlying EPS up 12% to 4.86c
- Reported EBITDA down 23% to $31.3m due to various one off costs - acquisition and impairment related – refer table below:

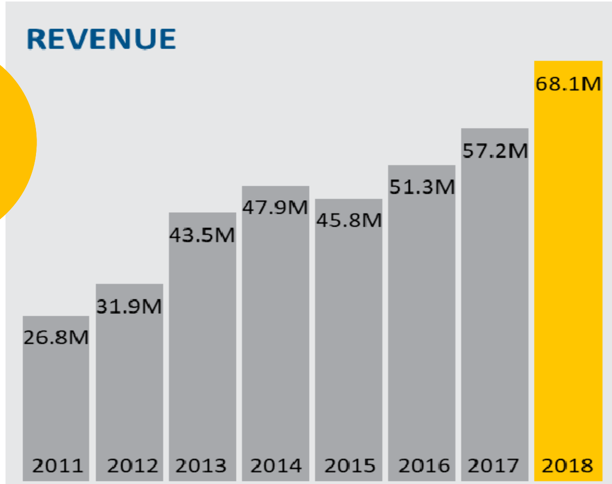
EBITDA COMPARISON	2018 $'000	2017 $'000
EBITDA – Reported	31,275	40,835
Add back: Acquisition / due diligence costs	4,789	-
Add back: Impairment expense	9,766	-
Less: EBITDA of Contract Power (part year contribution)	(1,725)	-
Less: Profit on sale of investment	-	(816)
EBITDA – Underlying	**44,105**	**40,019**

Key Headlines

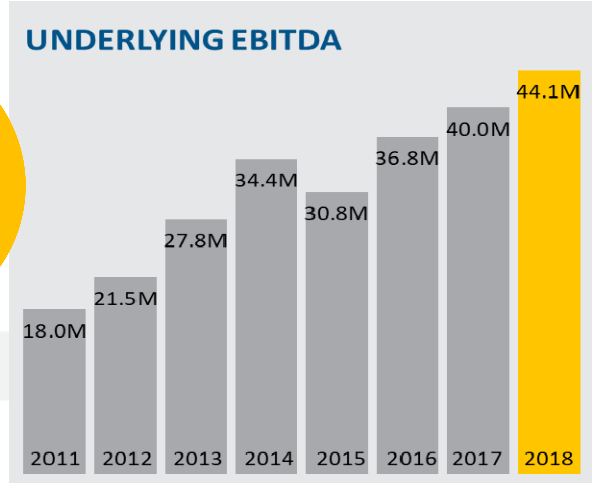
- Operating cash flow up 3% to $35.9m - diminished by acquisition related costs and GST towards year end ($3.6m GST recovered after year-end)
- KPS business grew contracted capacity by 9% from 272MW to 297MW
- Record level of contracted / installed capacity, 371MW – up from 278MW last year – includes spread of gas, diesel, waste heat and renewables
- Increased presence in NEM/Grid and remote townships / microgrids through acquisitions
- New $140m bank facility in place following acquisitions of Contract Power and NovaPower
- $21m 1 for 9 rights issue @ 50c completed in June ($6m in oversubscriptions)
- No final dividend pursuant to funding arrangements for Contract Power acquisition
- Balance sheet in good health and able to support significant further growth ($50m facility headroom at 31 July 2018)
- Record earnings forecast in FY19 based on existing and anticipated contracts

Continuing reliability, growth and resilience through the cycles

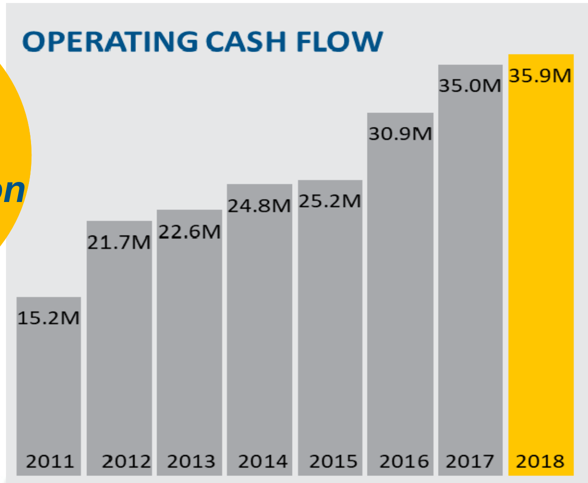
Utility style income



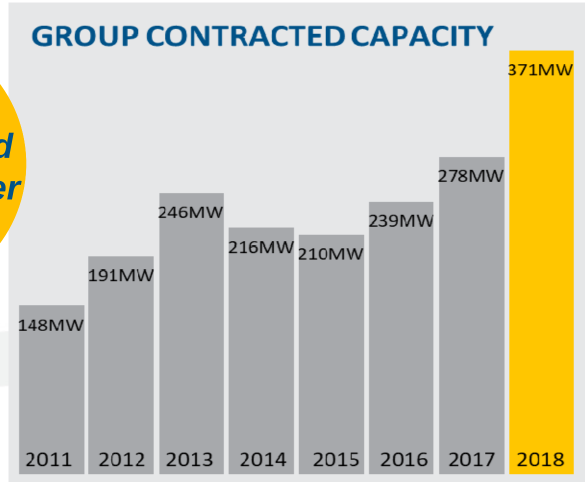
Demonstrated resilience plus growth through the cycles



Weighted average remaining contract duration 4+ years



Growing portfolio of owner operated long-term power generation assets



Financial Performance

- Revenue
  - up $10.9m (19%)
  - excluding $5.5m in part year income from acquisitions underlying revenue was up 9%
- Acquisition related expenses include:
  - $3.5m accrual for stamp duty on Contract Power acquisition
  - $1.3m due diligence and advisory costs on four potential acquisitions (two were completed)
- Impairment expenses (non-cash) include:
  - $9.0m write down of idle and slow moving assets
  - $0.8m write-off of customer relationship intangible
- Depreciation and amortisation consists of:
  - $17.2m depreciation
  - $1.6m amortisation
- Estimated FY19 D&A charge: $23m ($21m + $2m)
- Financing expense increase due to acquisition funding
- Estimated FY19 financing expense: $3.7m

Summary Financials

$000's	FY18	FY17
Revenue	**68,769**	**58,028**
Operating Costs	(22,939)	(17,193)
Due Diligence / Acquisition Costs	(4,789)	-
Impairment of Assets	(9,766)	-
EBITDA (reported)	**31,275**	**40,835**
Depreciation and Amortisation	(18,810)	(15,695)
Net Financing Expenses	(2,559)	(1,636)
Profit before Tax	**9,906**	**23,504**
Income Tax Expense	(3,125)	(6,903)
Reported NPAT	**6,781**	**16,601**

Balance Sheet

	2018 $m's	2017 $m's
Cash	12.1	5.0
Receivables	16.4	6.3
PP&E	224.0	160.0
Intangibles	55.3	24.1
Other	8.3	1.4
TOTAL ASSETS	**316.1**	**196.8**
Current liabilities (ex debt)	22.3	6.3
Current debt	11.8	6.9
Non current debt	95.2	25.9
Deferred tax	12.4	11.5
Other	2.9	1.1
TOTAL LIABILITIES	**144.6**	**51.7**
NET ASSETS	**171.5**	**145.1**
NET TANGIBLE ASSETS	**116.3**	**121.0**

- Major movements due to
  - Acquisitions / funding of Contract Power and NovaPower - $98m
  - Rights issue in June 2018 of $21m
- Net Debt (debt $107m; cash $12m) $95m
- Total Debt Facilities $140m
- FY19 Interest Cover Forecast 14x
- FY18 capex spend $22m
  - $14m KPS new projects / expansion capex
  - $8m KPS maintenance and miscellaneous capex
- FY19 capex forecast $15m
  - before any new projects
  - Includes $8m maintenance capex
- Net debt / gearing forecast to progressively reduce from business as usual activities

$140m ANZ/NAB Bank Facility

Key Terms

- Facility consists of
  - o $80m term loan amortising at $10.7m per year
  - o $20m capex facility (currently undrawn)
  - o $40m revolving multi-option facility
- Initial term of 3 years
- One year dividend lock (no final FY18 dividend or interim FY19 dividend)
- PEA to complete at least a $20m capital raising within three months of financial close ($21m rights issue was completed in June 2018)

GEARING	2018	2017
Net Debt: Net Assets	55.0%	19.2%
Net Debt: NTA	82.0%	22.9%
Net Debt: EV	28.2%	9.1%

Pricing

- Margin of 1.1%
- Line fee of 1.0%
- Overall cost of funds 4.08% (based on current BBSY)

Hedging

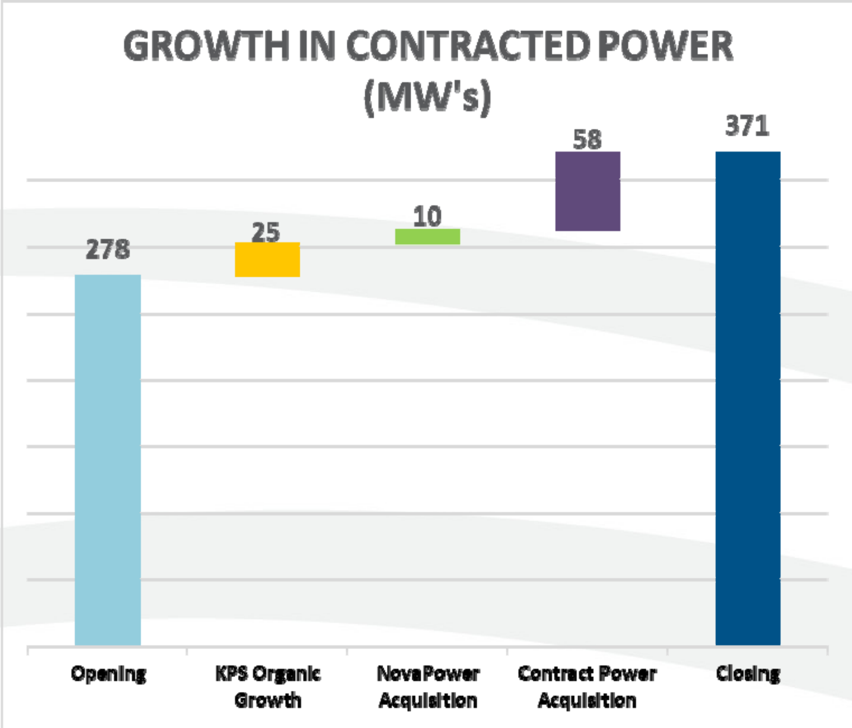
- PEA has put hedging measures in place to mitigate risk of future increases in BBSY
- Forward swap contracts entered into for $22m from Nov-18 to Nov-21 and $15m from Jun-19 to Jun-23
- Locks in blended rate of 4.38% (based on current BBSY, fully drawn) to 2023

Gearing

- Net debt at 30 June 2018 of $95m represents 82% net debt: NTA and 28% net debt: EV

FY18 – A Transformational Year

- Combination of continuing organic growth plus acquisition activity (Contract Power and NovaPower) progressed contracted capacity towards 400MW
- Portfolio now includes
  - o 3 NEM connected power stations (gas and hydro)
  - o 6 remote township power stations (gas, diesel and solar)
  - o 32 remote mine power stations (gas, diesel, waste heat)
  - o 2 EPC contracts underway (gas and battery / microgrid)
- Leading remote power specialist in gold and hard-rock lithium sectors
- Capabilities and proven experience in traditional thermal baseload power and evolving renewable energy technologies
- Now with EPC capabilities accessed through Contract Power's experience in Australia, Africa and Asia
- Attractive new finance facilities in place to pursue new growth opportunities



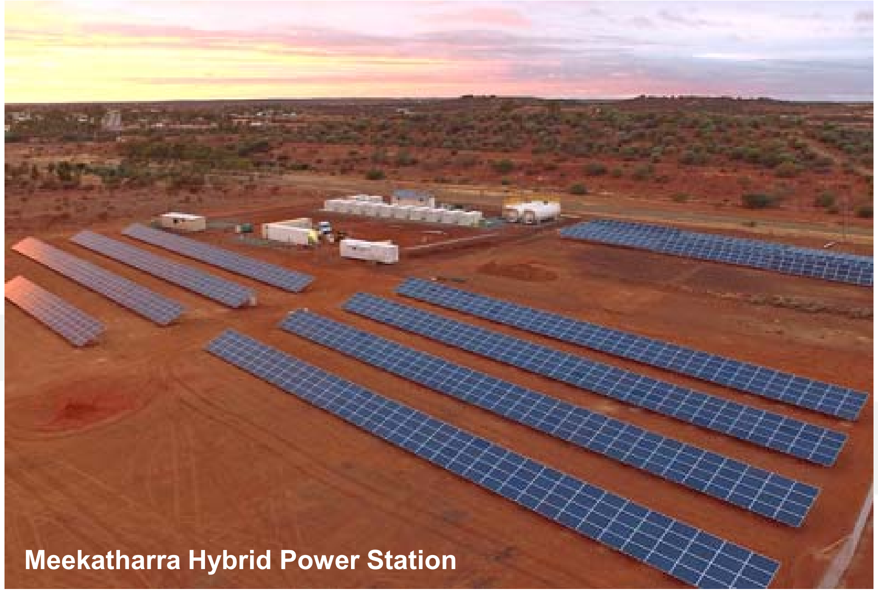
Contract Power Acquisition

Structure

- Enterprise Value of $90m - $85m cash / $5m shares
- Acquired on a working capital neutral / debt free basis
- Settled 24 April 2018
- All staff and customers continuing

Benefits

- Additional geographic, customer and delivery diversity
- Expanded and increasing portfolio of long-term 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)
  - Includes remote township microgrids and hybrid generation facilities
  - leads to improved combined utilisation
  - and lower joint future capital expenditure
- Access to new customers and industry relationships
- Significant buying power within power generation industry
- Introduces EPC capability



Meekatharra Hybrid Power Station

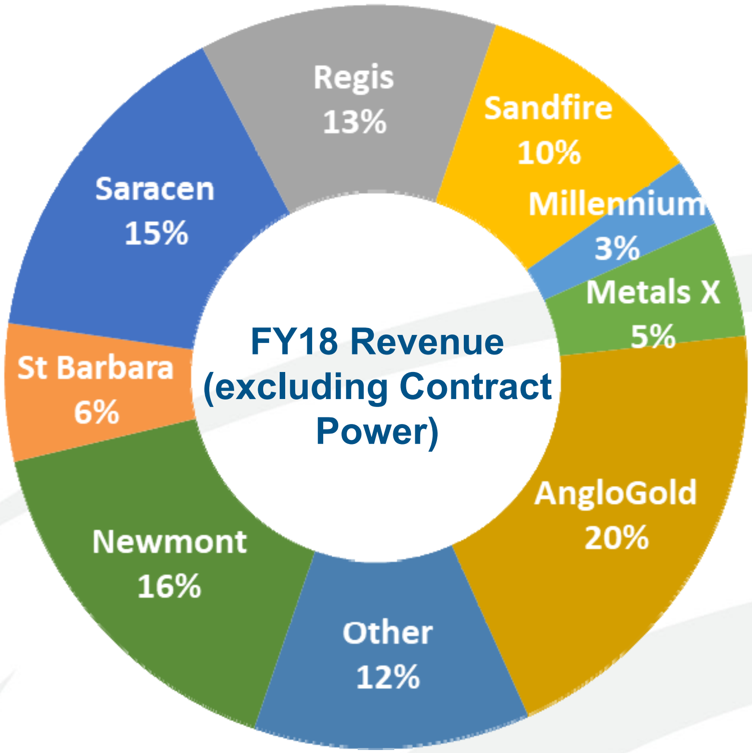
Contract Power Acquisition

Status

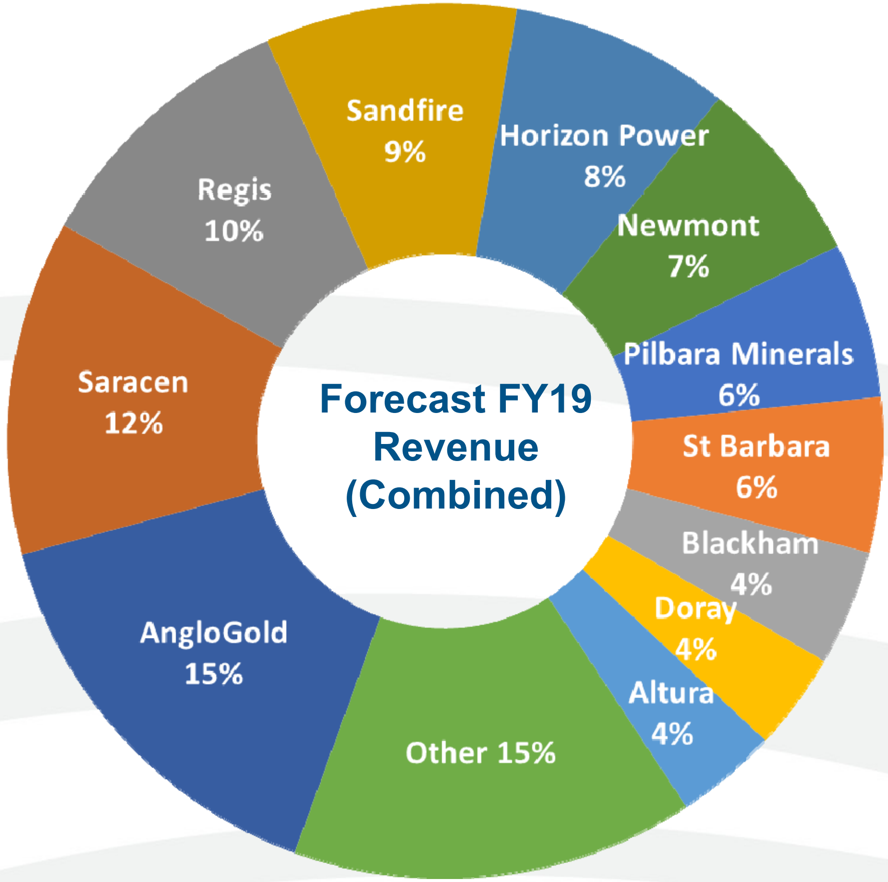
- Other than outstanding stamp duty assessment, transaction has been fully funded / settled
- No integration issues
- Business as usual, busy tendering / pricing new projects
- Two EPC contracts secured and underway (circa $32m value)
- Performing as expected

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							Ongoing
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							Ongoing
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

Outlook

- 41 power generation sites under long term contract with weighted average remaining duration 4+ years
- Diversified across mining, remote townships and NEM and covering multiple technologies
  - gas • diesel • waste heat • solar • dual fuel • hydro
- Underlying EBITDA guidance of $54m - $55m
- Positive outlook in natural resources sector
- High level of tendering / pricing activity
- Addition potential from:
  - new contracts
  - expansions
  - re-starts of Care & Maintenance stations
  - EPC work
- Optimistic about regaining Newmont lost ground (KPS has already secured 25MW of new capacity in past year)
- Well funded to pursue growth with circa $50m facility headroom
- Record operating cash flow forecast of circa $45m (before capex estimated at $15m and principal debt repayments of $11m)
- Remain alert for asset and business acquisition opportunities

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 and mine re-start opportunities

New Mining Projects

- Positive outlook for natural resources industry (currently engaged in pricing approximately 20 new projects)
- Awaiting results of approximately 50MW in formal tenders in next few months
- Approximately 150MW priced for projects in formal study stages
- African market presents a new growth frontier, albeit slower than expected

New Opportunities

- Current focus on maximising value from recent acquisitions
- Remain open to and in search of more asset acquisition opportunities

Conclusion