

**Energy Developments (ASX: ENE)**

**Morgans Queensland Conference**

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Leaders in Remote and Clean Energy



# Disclaimer

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# Key Highlights

- 1 **Scale** – 904 MW of generation assets; #1 market positions
- 2 **Diversification** – 84 projects across 3 continents; > 80% contracted; 50% take or pay
- 3 **Incumbency** – Long life assets; long dated contracts; track record of recontracting
- 4 **Blue chip customers** – BHPB; Anglo American; AngloGold Ashanti; Glencore; MMG  
– Horizon Power; Territory Generation
- 5 **Capability** – Commitment to Zero Harm; Centralised O&M and asset management
- 6 **Growth** – 154 MW added in FY14
- 7 **Well capitalised** – Corporate refinancing in October 2014  
– Reduced borrowing cost; extension of tenor; over-subscribed bank group
- 8 **Strong profitability** – FY14: EBITDA \$182m; NOCF \$136m; Fully franked div. 28cps  
– FY15: EBITDA guidance of \$192m to \$202m

# Significant Growth and Diversification Continues

**FY03 Revenue: \$117m**

**Projects: 54**

**Scale: 389 MW**

**Dividend: Nil**

**FY13 Revenue: \$403m**

**Projects: 80**

**Scale: 800 MW**

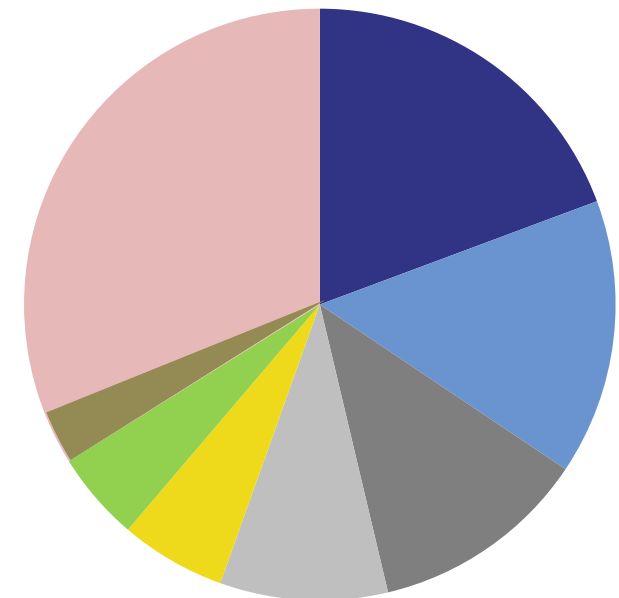
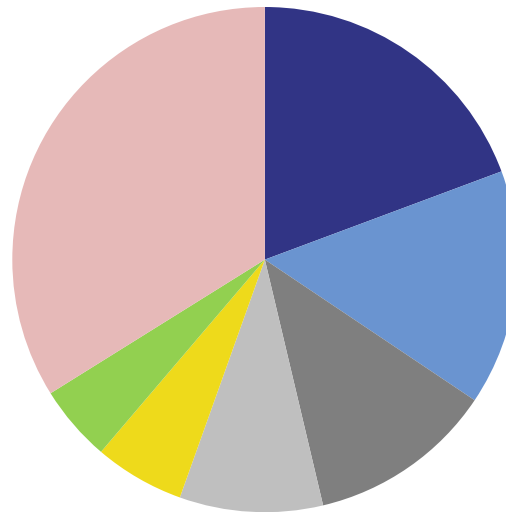
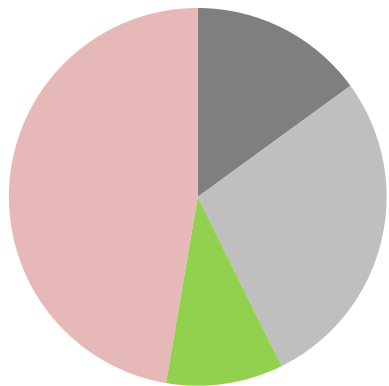
**Dividend: 11cps**

**FY14 Revenue: \$423m**

**Projects: 84**

**Scale: 900 MW**

**Dividend: 28cps**



■ Horizon Power

■ Anglo American

■ UK

■ BHP Billiton

■ Anglo Gold Ashanti

■ Territory Generation

■ Other Revenue

■ Glencore

**Continued trend of earnings and capacity growth**

# EDL – Market Leaders in Distributed Power

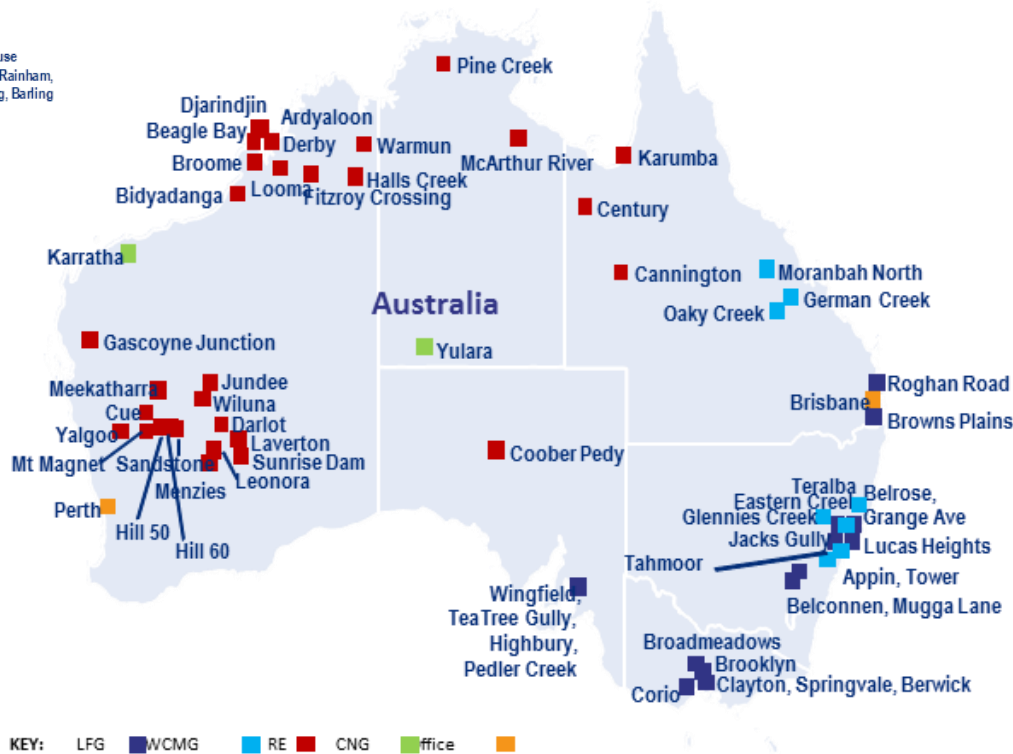
>900MW distributed power generation

- Remote Energy ~390MW
- Waste Coal Mine Gas ~250MW
- Landfill Gas ~260MW



KEY: ■ LFG ■ Office

- ✓ Scale
- ✓ Diversified
- ✓ Long life assets
- ✓ Long dated contracts
- ✓ Blue chip counterparties
- ✓ Capability
- ✓ Growth
- ✓ Well capitalised
- ✓ Strong profitability



# Distributed Power Summary

Distributed power driven by same forces that are propelling the broader decentralization movement

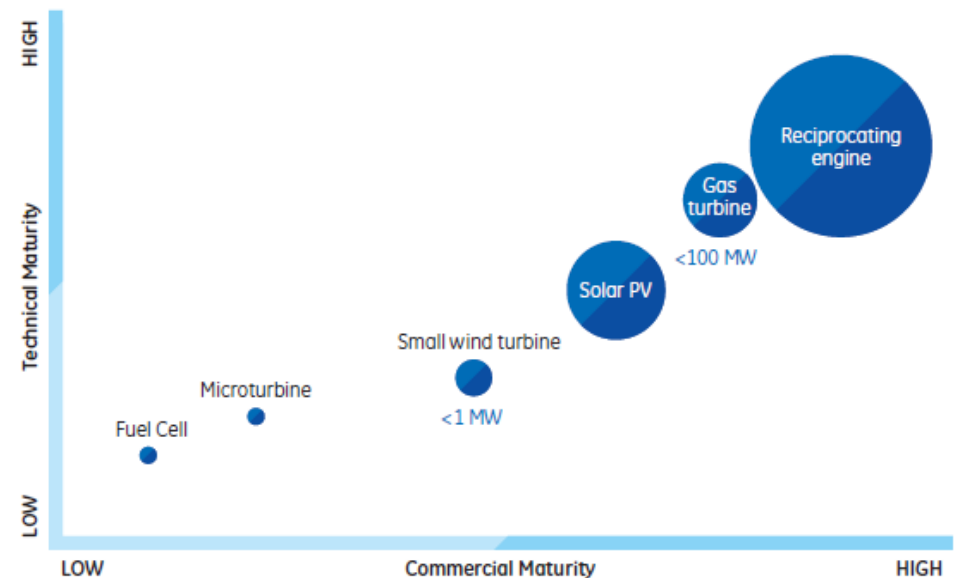
## Advantages of distributed power

- Widely available, smaller, more efficient and less costly
- Overcomes capital constraints of larger projects and transmission/distribution lines
- Built and become operational faster and with less risk than large power plants
- Increased reliability generating power close to customer
- Digital control systems - can be controlled from a smartphone
- Incrementally added to meet growing energy needs
- Greater gas abundance creates opportunities for gas-fired distributed power systems

## Opportunities for ENE

- Diesel displacement
  - Hybrid renewables
  - Virtual pipelines (e.g. West Kimberley; Yulara) using LNG and CNG
- Network support
- Intermediate Electrification e.g. upstream LNG

## Distributed Power Technology Continuum



Source: General Electric 2014



# WCMG Macro Environment

## Macro – Metallurgical Coal

- **Demand:** Underpinned by steel production – with global production expected to grow at CAGR of 2.5% - 3.0% p.a.
- **Supply:** Australia provides >50% global supply and expected to remain dominant supplier of seaborne met coal globally

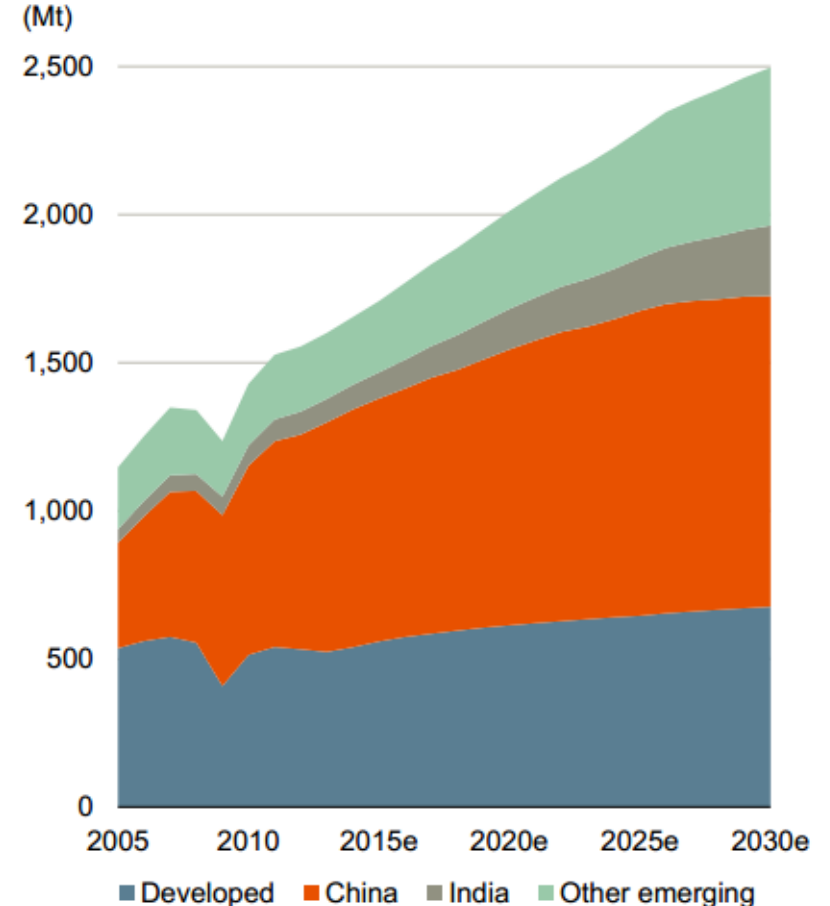
## ENE Current WCMG portfolio

- Market Leader with 254MW across 9 projects
- WCMG generation/ abatement is core business
- 4 Global miners as core long term customers
- Exclusive feasibility study with fifth

## Further Opportunities for Growth

- Methane abatement services to miners
- Value proposition attractive to miners
- Value add-ons: network support, islanding, direct sales, upstream services all enhance ENE offering

Global crude steel production by region



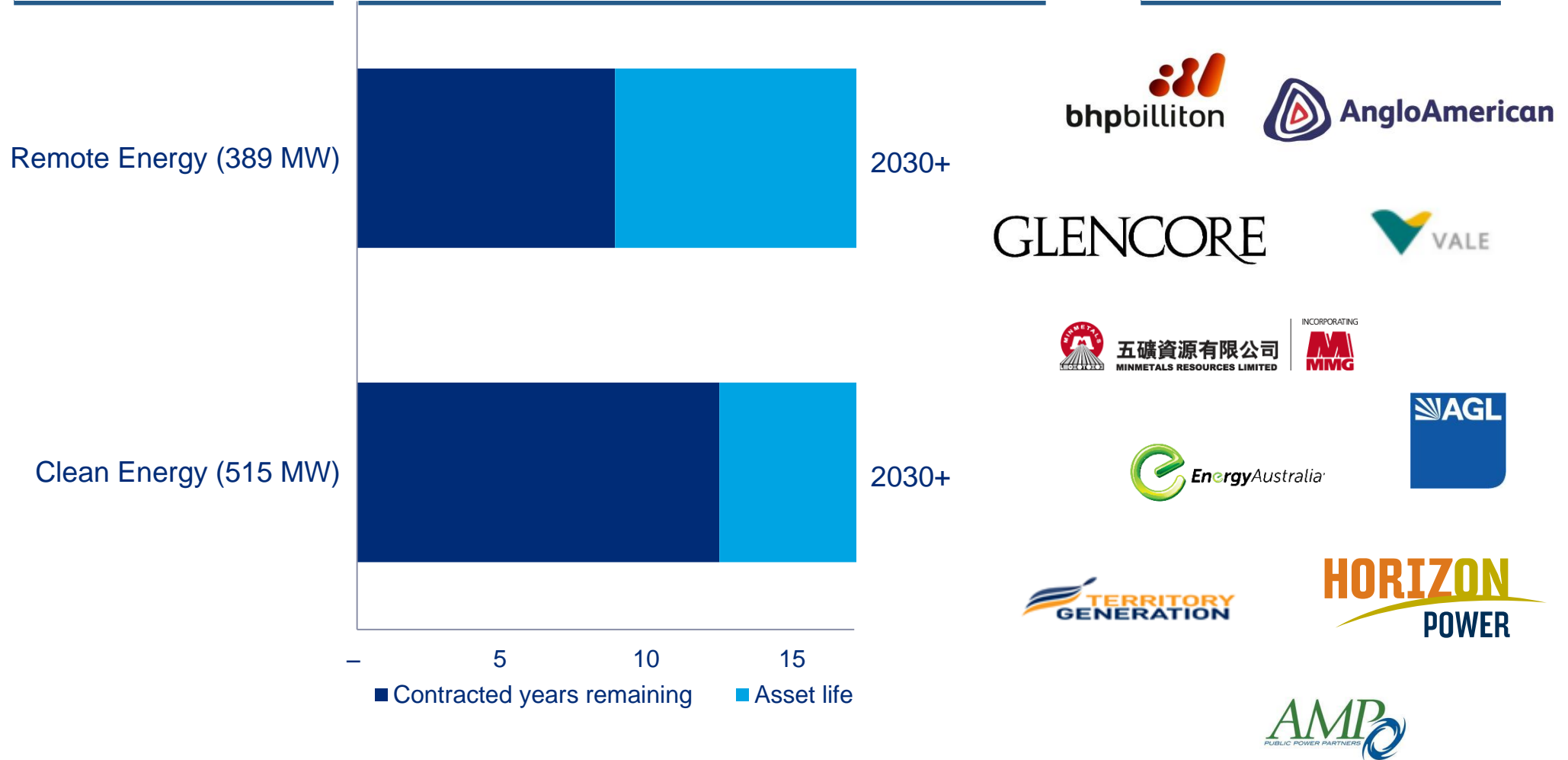
Source: BHP Oct 2014

# Long Dated Contracts with Blue Chip Counterparties

## Asset capacity (MW)

## Weighted average contractual years and asset life

## Blue Chip Counterparties



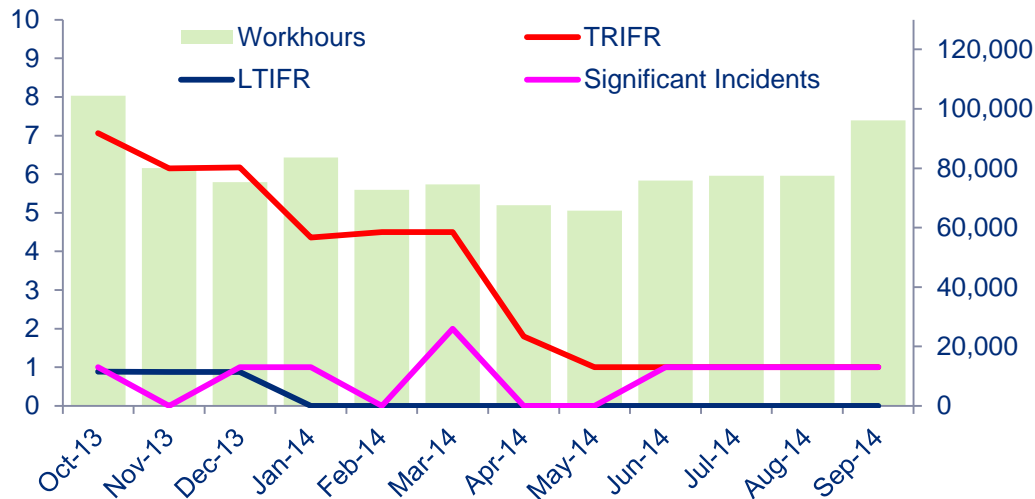




# Our Capability – Safety and People

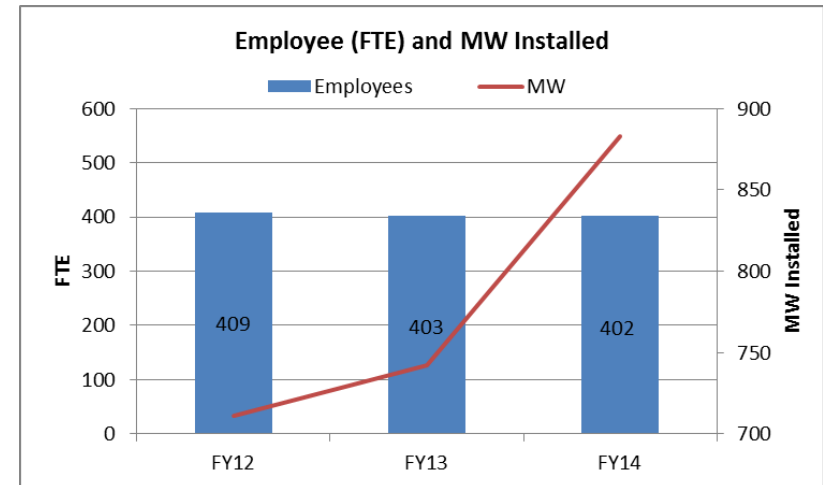
Highly experienced team with a strong track record of safely managing and growing the business

## Safety



- ✓ Target Zero Harm
- ✓ Industry-leading safety performance
- ✓ LTIFR at 30 September is nil
- ✓ Zero LTIs in past 20 months (in excess of 1.6 million hours worked)
- ✓ TRIFR (total reportable injury frequency rate: LTIs + MTIs) at 31 July is 1.0. 1 MTI in Nov 2013

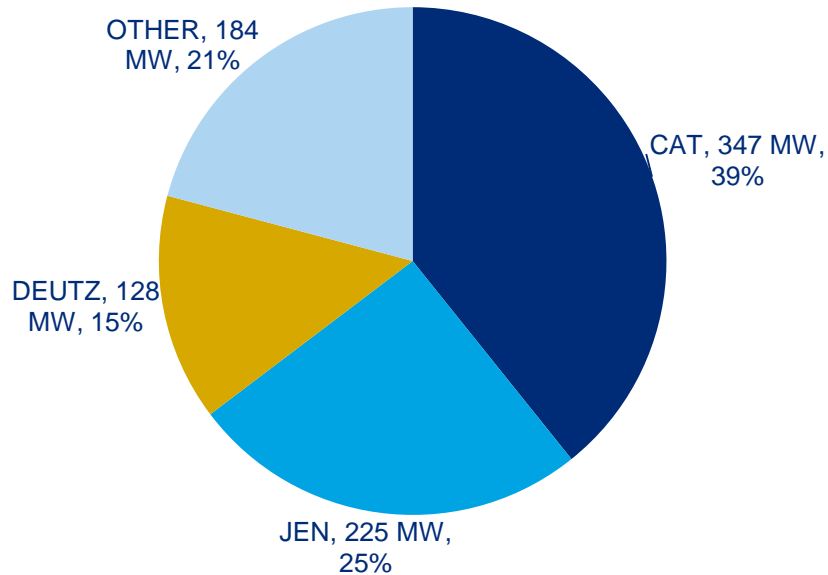
## People



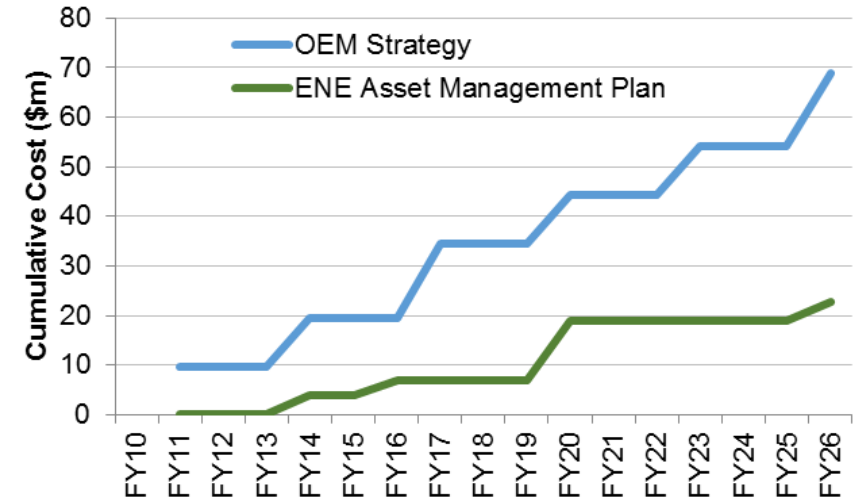
- ✓ Strategies in place to attract and retain key talent
- ✓ Improved MW / FTE from 1.7 in FY12 to 2.2 in FY14

# Our Capability – Asset Management

EDL Installed MW by Engine OEM

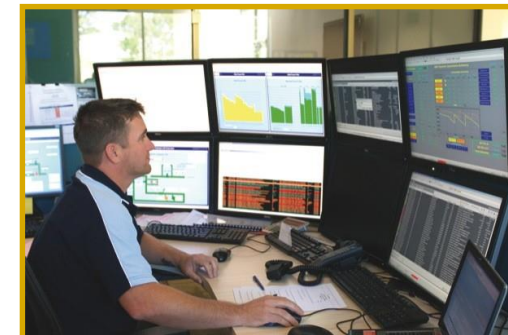


Overhaul Cost Profile <sup>1</sup>



<sup>1</sup> EDL estimate only, subject to various assumptions

- ✓ Asset management planning and condition based monitoring reducing maintenance costs
- ✓ In-house O&M, central control and adjacent operations reduces operational labour cost
- ✓ Strong track record of consistent KPI improvements, including
  - ✓ Increased capacity factors
  - ✓ Cost savings programs
- ✓ Potential for efficiency improvements in older units





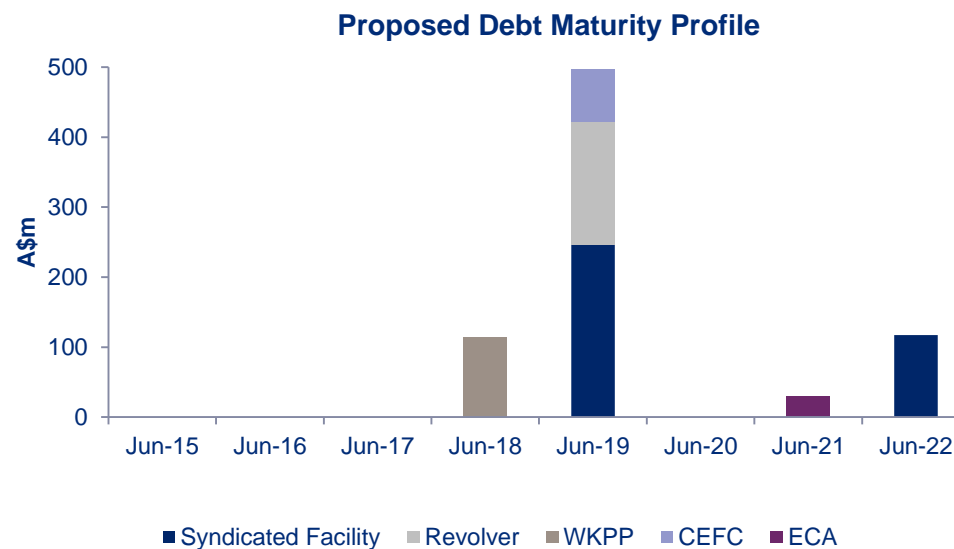
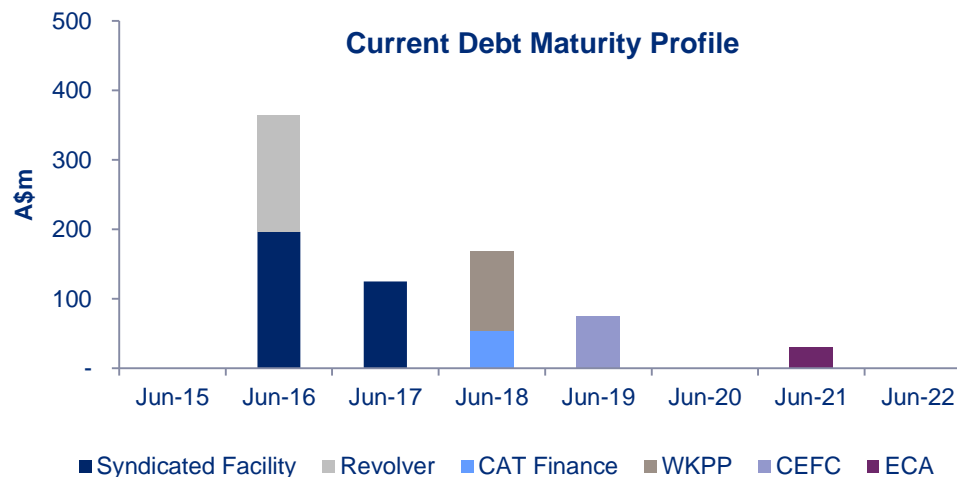
# Refinancing Update

## Refinancing of Corporate Banking Facilities expected to complete in October

- Lender feedback has been positive with facilities oversubscribed
- Financial Close expected mid October
- New lenders to be added to syndicate including Australian majors and overseas lenders

### Expected outcomes

- Extension of term, revolver and working capital tranches over 5 and 8 year maturities to 2019 and 2022
- Reduction in average interest margin and commitment fees
- Extension of AUD interest rate swaps to 8 years



# Executed Growth – \$500m successfully invested since FY10

## McArthur River – in partnership with Glencore

- Supporting Glencore's McArthur River mine expansion
  - Doubling capacity and increasing mine life to 2038
- EDL gas power station since 1995
- 20 year Power Purchase Agreement for 68MW
  - 53MW Wärtsilä expansion
- COD in January 2014



## Moranbah North – in partnership with Anglo American

- Supporting Anglo's commitment to reducing carbon emissions and gas extraction costs
- 45MW WCMG power project since 2008
- 18MW expansion underpinned by:
  - 25 year WCMG supply extension with Anglo
  - Network support agreement with Powerlink
- COD July 2014



ENE continues to deliver accretive growth projects in a challenging market



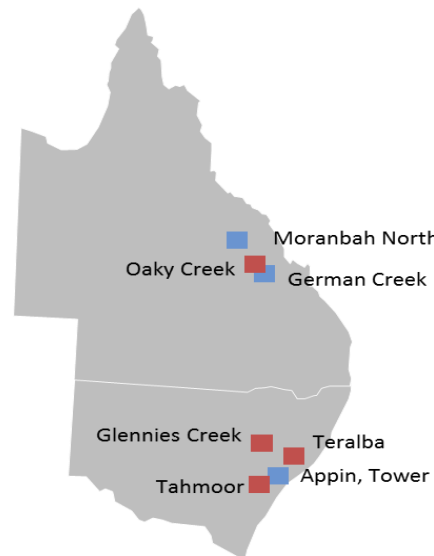
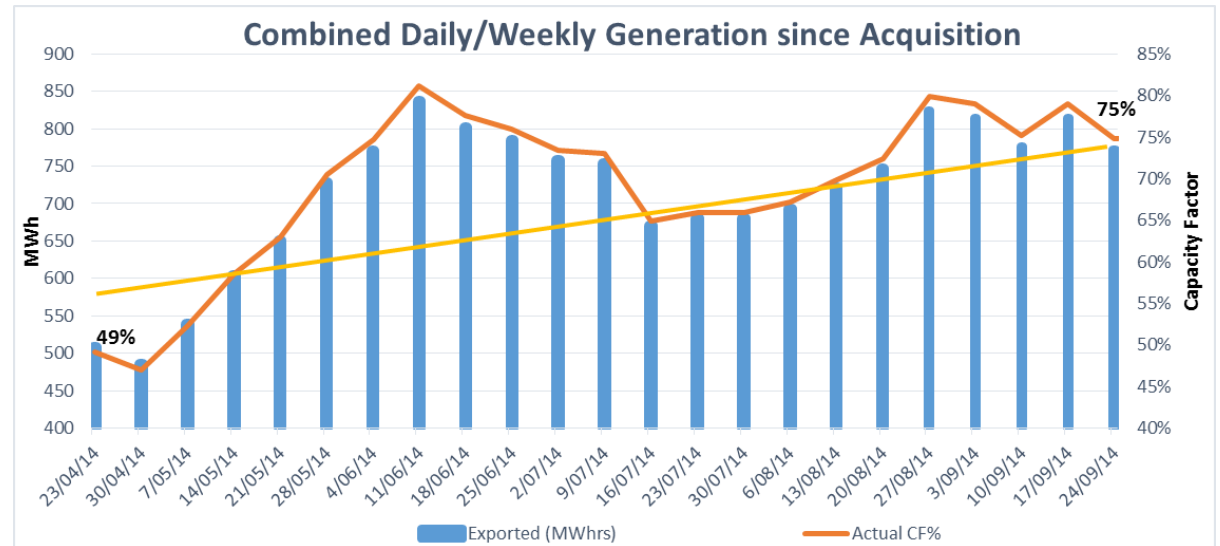
# FY14 Growth – Envirogen Acquisition

## Rationale

- 43MW WCMG bolt on (\$25m)
- New customers: Glencore and Vale
- Long dated mine lives
- Significant synergies

## Integration & Synergies

- Alignment of OHSE and SPIRIT values
- Operating performance increased >50%
- Removed O&M and corporate overhead
- Results to date materially higher than investment case
- Consolidation benefits - German Creek and Oaky are 7km apart
- Potential for expansion at acquired sites



### Oaky Creek

- **Glencore Xstrata** managed mine
- Expected mine life to 2046
- **21MW**

### Integra (Glennies Creek)

- **Vale** operated mine
- **11.7MW**

### Teralba

- **Glencore Xstrata**; mine closed 2001
- **3.1MW**

### Tahmoor

- **Glencore Xstrata**
- Expected mine life to 2028
- **7.3MW**

# FY14 Growth – Upstream LNG

## Key Terms

### 1. Purchase of 21MW for ~\$21m in April 2014

- Initial 12-18 month rental agreement with Clarke Energy Australia for upstream LNG electrification
- COD Dec 2014

### 2. Purchase of 30MW for ~\$22m in June 2014

- Initial 12-18 month rental agreement with Clarke Energy Australia for upstream LNG electrification
- Commenced 1 July 2014

### 3. Potential for

- Extension of initial lease agreements
- Subsequent utilisation in EDL WCMG or other growth projects

## Rationale

- Attractive economics with accelerated EBITDA expected from initial sale/ leaseback
- Asset redeployment into ENE business post lease
  - Reduces capital costs for future projects
  - EPC relocation terms locked in at acquisition
- Extends clean energy footprint closely adjacent to WCMG assets

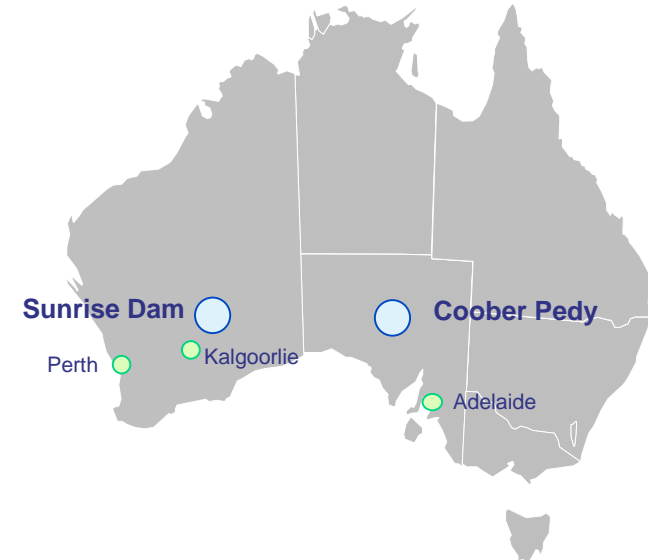


Reedy Creek, QLD

# FY15 Growth Projects underway – Sunrise Dam & Coober Pedy

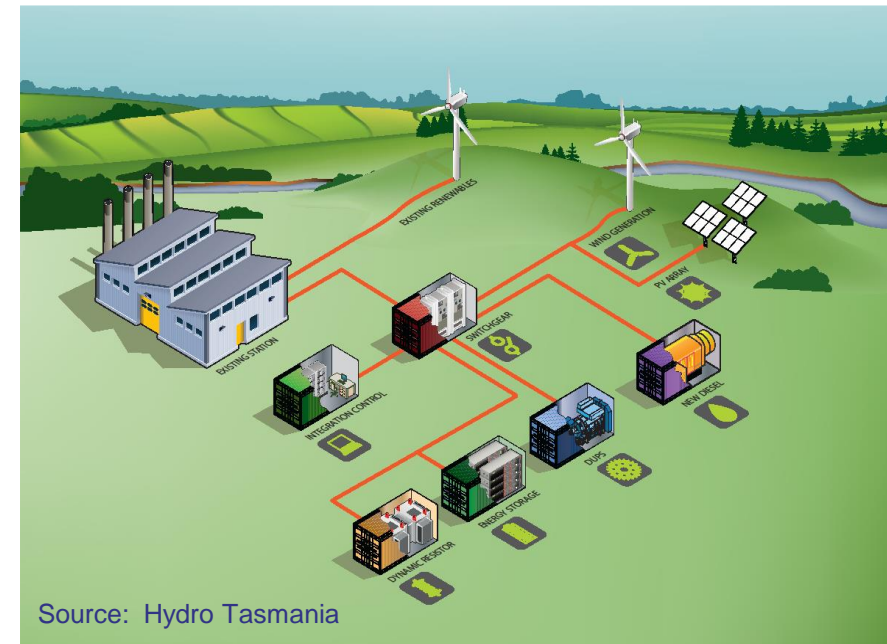
## Sunrise Dam extension and expansion

- Supporting Anglo Gold Ashanti's Sunrise Dam mine
- 28MW gas and diesel power station since 1997
- Extension of current agreement by 10 years to 2025
- Expansion of 6MW replacing 2MW of diesel with 8MW of high efficiency gas generators



## Coober Pedy Hybrid Renewable Project

- \$18.5m funding agreement with ARENA signed in July 2014
- Support to upgrade and expand existing 3.9MW diesel power station
  - 2MW solar
  - 3MW of wind generation
- Project to be underpinned by 20year PPA
- Target to achieve 70% diesel displacement of 20 year PPA
- Significant opportunities for diesel displacement in remote locations



Source: Hydro Tasmania

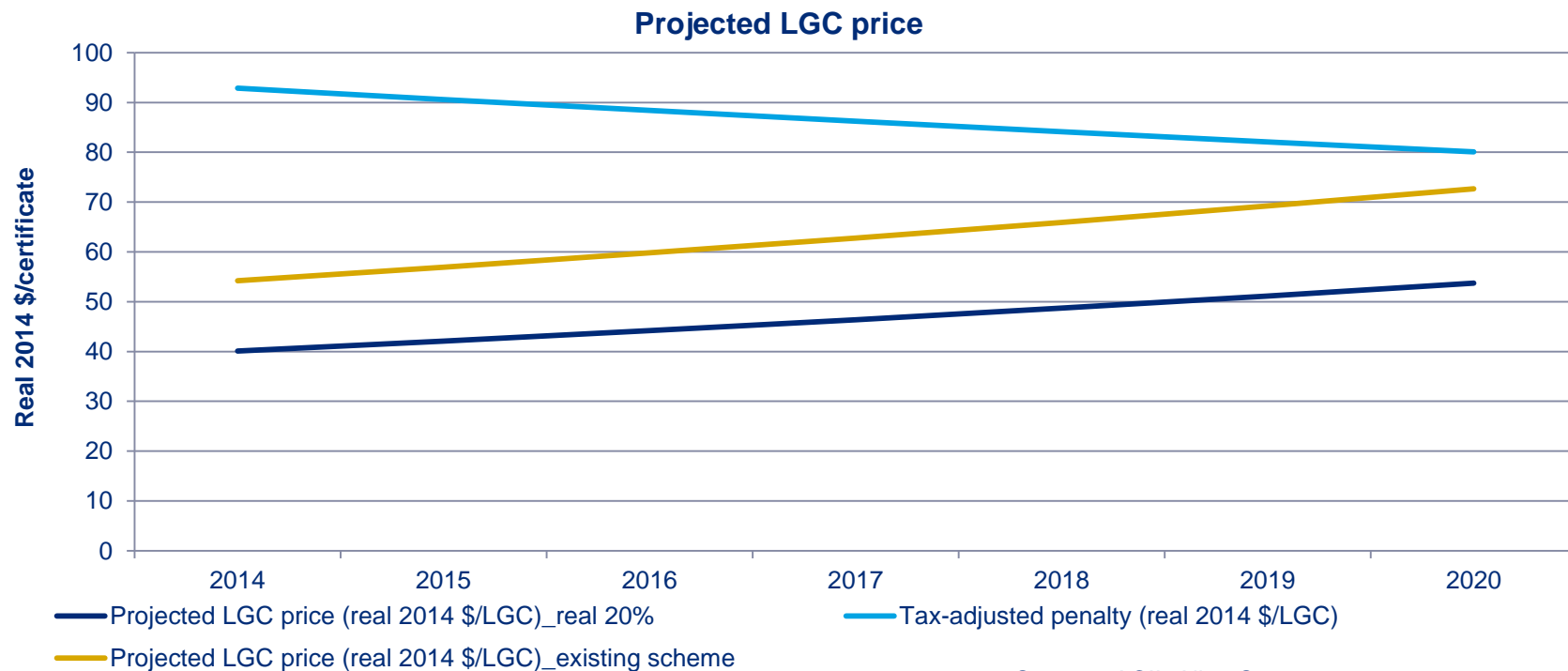


# Regulatory Update – RET Review

- EDL has long history of working with Governments
- Private sector certainty: managed through grandfathering in the event of policy change
- EDL FY15 guidance assumes \$30/certificate

**“This is a Government which is determined to keep faith with businesses which have made investment decisions honestly and fairly on the basis of government policy.”**

**Prime Minister Hon Tony Abbott MP 27 Feb 2014**



Source: ACIL Allen Sep 2014





# Summary

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1. **Market leaders** in <100MW power
2. **Differentiated and diversified** business in a dynamic energy market
3. **Proven capability** to deliver and operate bespoke distributed power solutions for our customers, safely and on time/ budget
4. **Long life assets** and **contracts** with **blue chip counterparties**
5. **Deep pool of growth options**
6. **Strong profitability** with **dividends** and **well capitalised**