

PACIFIC ENERGY LIMITED

ASX : PEA

2018 AGM PRESENTATION



PACIFICENERGY



NOVEMBER 2018

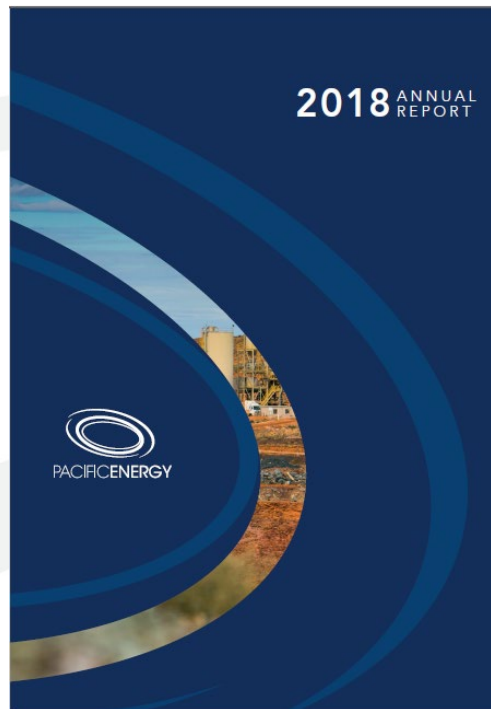
CHAIRMAN'S ADDRESS

MR CLIFF LAWRENSON

Pacific Energy Limited – Annual General Meeting 2018

Item 1: Annual Report

To consider the Annual Report of the Company and its controlled entities for the year ended 30 June 2018, which includes the Financial Report, the Directors' Report and the Auditor's Report.



Pacific Energy Limited – Annual General Meeting 2018

Item 2 - Resolution 1: Adoption of Remuneration Report

Proxies Received:

	For	Against	Open	Abstain	Excluded
Votes	87,482,098	4,393,409	0	212,077,020	0
Percentage %	28.78%	1.45%	N/A	69.77%	N/A

To consider and, if thought fit, to pass with or without amendment, as an ordinary resolution the following:

"That, pursuant to and in accordance with section 250R(2) of the Corporations Act and for all other purposes, approval is given by the Shareholders for the adoption of the Remuneration Report on the terms and conditions in the Explanatory Memorandum."

Pacific Energy Limited – Annual General Meeting 2018

Item 3 - Resolution 2: Re-election of Director – Mr Kenneth Joseph Hall

Proxies Received:

	For	Against	Open	Abstain	Excluded
Votes	302,512,416	1,440,111	0	0	0
Percentage %	99.53%	0.47%	N/A	N/A	N/A

To consider and, if thought fit, to pass with or without amendment, as an ordinary resolution the following:

"That, pursuant to and in accordance with, article 17.1 of the Constitution and for all other purposes, Mr Kenneth Joseph Hall, Director, retires and being eligible, is re-elected as a Director on the terms and conditions in the Explanatory Memorandum."

Pacific Energy Limited – Annual General Meeting 2018

Item 4 - Resolution 3: Issue of Performance Rights to Mr Brady Hall

Proxies Received:

	For	Against	Open	Abstain	Excluded
Votes	301,963,041	104,558	0	1,884,928	0
Percentage %	99.35%	0.03%	N/A	0.62%	N/A

To consider and, if thought fit, to pass the following resolution as an ordinary resolution with or without amendment:

"That, pursuant to and in accordance with Listing Rule 10.14 and for all other purposes, Shareholders approve the issue of 29,448 Performance Rights to Mr Brady Hall (and/or his nominee) under the Performance Rights Plan on the terms and conditions in the Explanatory Memorandum."

CEO'S ADDRESS

MR JAMIE CULLEN

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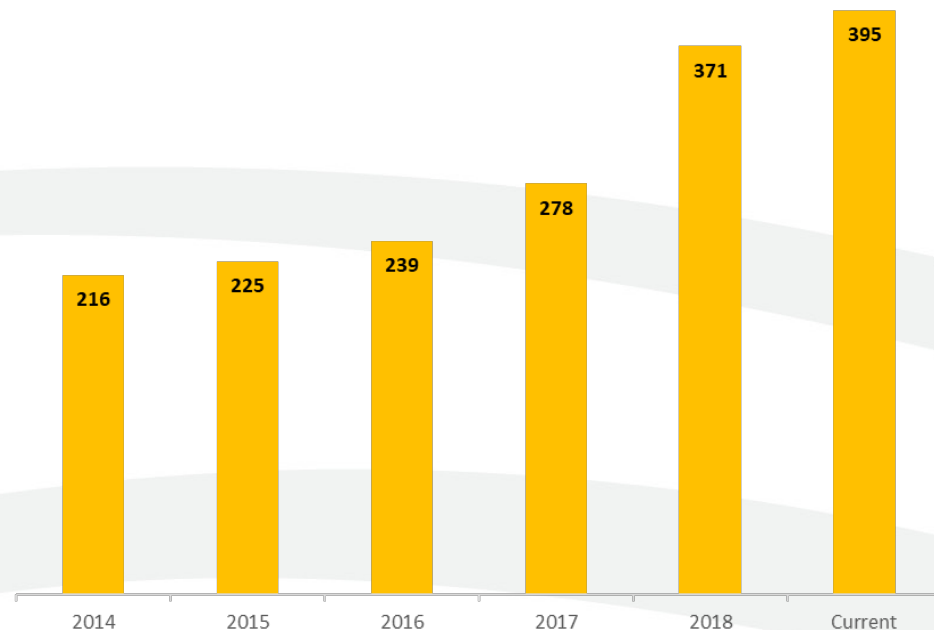
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Major Highlights

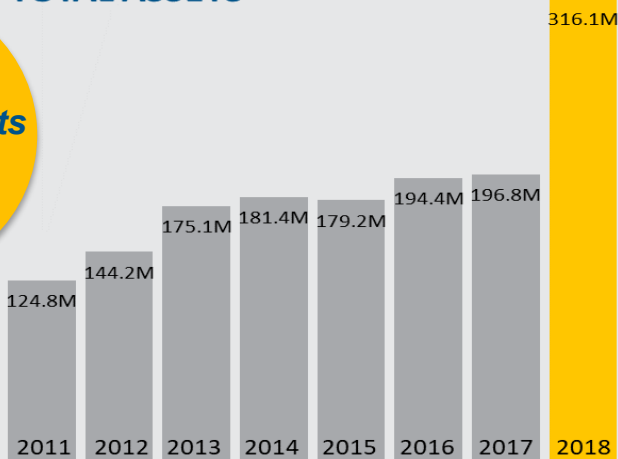
- Another year of growth in revenue and underlying profit
- \$44.1m underlying EBITDA beat guidance of \$43m - \$44m; 10% ahead of FY17
- Underlying NPAT up 14%, Underlying EPS up 12%
- Ninth annual increase in operating cash flows
- Completed two acquisitions totalling \$98m with minimal dilution to shareholders
 - NovaPower \$8m (December 2017)
 - Contract Power \$90m (April 2018)
- Secured new \$140m bank facility
- Completed \$21m rights issue (oversubscribed)
- Step-change in total contracted capacity owned & operated from 278MW to almost 400MW (40+% increase)
- Contracted cash flows now across portfolio of 40 power stations

GROWTH IN CONTRACTED POWER (MW's)

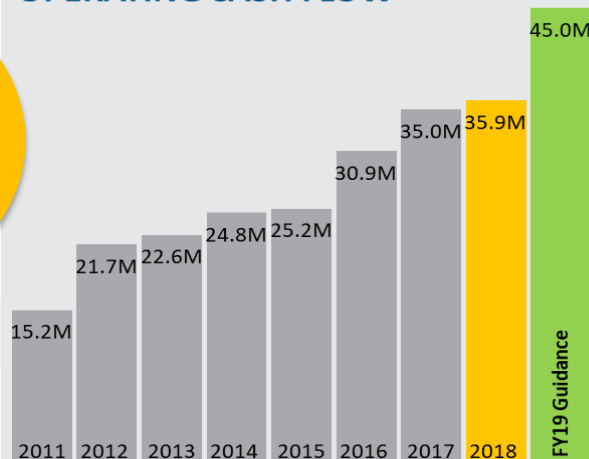


Continuing reliability, growth and resilience through the cycles

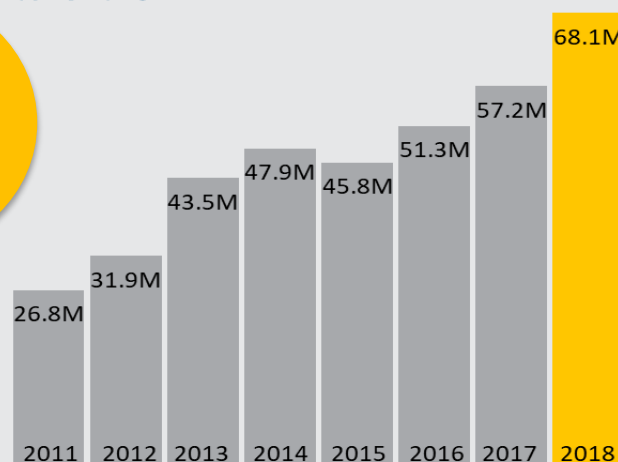
TOTAL ASSETS



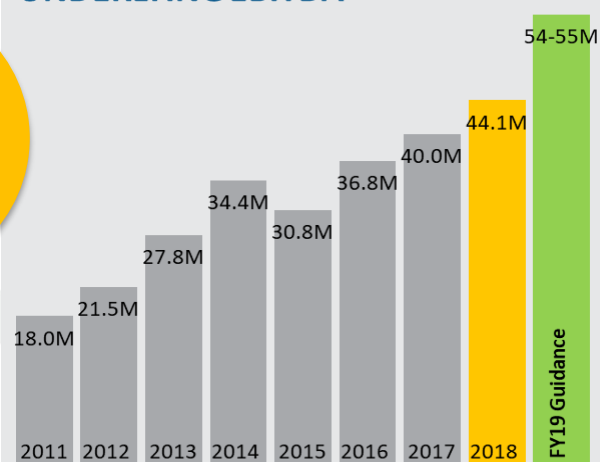
OPERATING CASH FLOW



REVENUE



UNDERLYING EBITDA



Financial Performance

- Revenue
 - up \$10.8m (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 (awaiting assessment)
 - \$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: \$4.3m

Summary Financials		
\$000's	FY18	FY17
Revenue	68,769	58,028
Underlying EBITDA	(44,105)	(40,019)
Due Diligence / Acquisition Costs	(4,789)	-
Impairment of Assets	(9,766)	-
Part year Contract Power contribution	1,725	-
Gain on sale of investment	-	816
Reported EBITDA	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
Underlying NPAT	18,341	16,030

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 \$98m
 - Rights issue \$21m
- Year-End Net Debt (debt \$107m; cash \$12m) \$95m
- Total debt facilities \$140m
- FY19 forecast interest cover 14x
- FY18 capex spend \$22m
 - \$14m KPS new projects / expansion capex
 - \$8m KPS maintenance / miscellaneous capex
- FY19 capex forecast \$22m
 - before any new project requirements
 - 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
 - \$80m term loan amortising at \$10.7m per year
 - \$20m capex facility (currently undrawn)
 - \$40m revolving multi-option facility
- Initial term of 3 years
- One year dividend lock
- Completion of at least a \$20m capital raising

Pricing

- Margin of 1.1% + Line fee of 1.15%
- Overall cost of funds 4.25% (based on current BBSY)

Hedging

- Hedging measures put 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
- Locked in blended rate of 4.55% (based on current BBSY, fully drawn) to 2023

Commencement of Dividends

- Approval just received for early commencement of dividends
- Starting with interim 2019 payment

GEARING	31 Oct 2018	30 June 2018	30 June 2017
Net Debt: Net Assets	46.0%	55.0%	19.2%
Net Debt: NTA	66.1%	82.0%	22.9%
Net Debt: EV	25.9%	28.2%	9.1%

FY18 – A Transformational Year

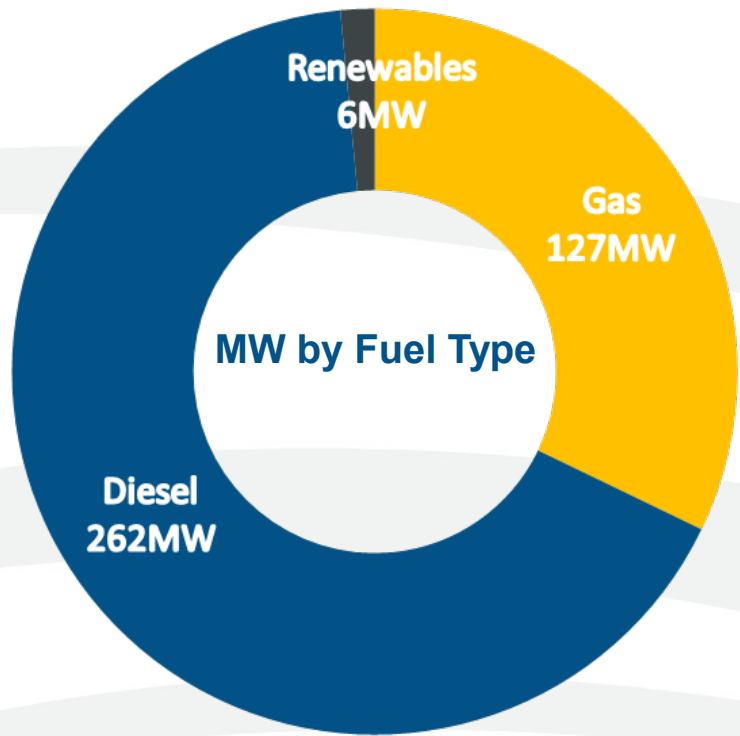
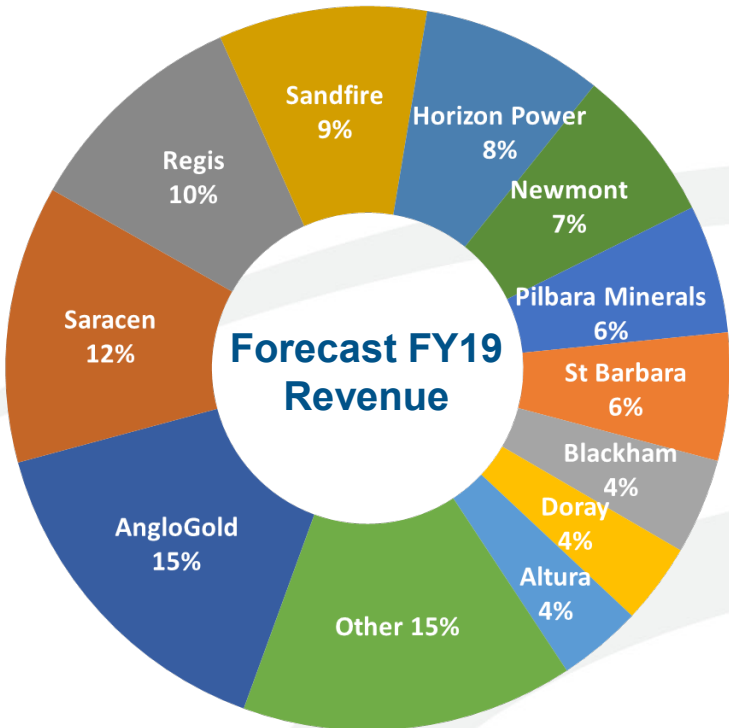
- Combination of continuing growth plus acquisitions progressed contracted capacity owned & operated towards 400MW
- Portfolio now includes
 - 3 NEM connected power stations (2017: 2)
 - 7 remote township power stations (2017: 0)
 - 30 remote mine power stations (2017: 22)
 - 2 EPC contracts underway (2017: 0)
- Offices / facilities in Perth, Kalgoorlie and Cue
- Staffing – 110 personnel
- Biggest remote power provider 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 with low cost of funds to pursue growth opportunities



52MW Reciprocating Gas Engine Power Station Under Construction

Long Term Contracts Across Multiple Customers and Technologies

- Long term contracts in place - weighted average remaining contract duration approximately 4 years provides strong earnings visibility
- Solid customer base - approximately 90% of revenue from clients with All In Sustaining Cost Margin exceeding 30%
- Proficient in all fuel types and integrating and operating hybrid technology



End User Markets						
Gold	Copper	Lithium	Mineral Sands	Manganese	Townships	NEM

Multi-Year Contracts with Guaranteed Minimum Payments Provide Earnings Visibility and Reliability

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
Panoramic Resources	Savannah	Nickel	Contracted to 2027							2027
Galaxy Resources	Mt Cattlin	Lithium/Tantalum	Contracted to 2022							2028
Saracen	Carosue Dam	Gold	Contracted to 2023							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
Westgold	Fortnum	Gold	Contracted to 2022							2022
Doray	Deflector	Copper/Gold	Contracted to 2021							2021

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

*PEA estimate

Trading Update – 4 months to 31 October 2018

- Ahead of budget – all areas of the business exceeding expectations
- On track to beat guidance of \$54m - \$55m underlying EBITDA
- Contract Power acquisition bedded down
 - all contracts remain on foot and in good standing
 - all customers and staff continuing
 - \$32m of EPC work secured and substantially completed
 - actively pricing a range of new projects
 - no negative surprises - a rewarding and pleasing transaction
- Have already added 24MW of new contracted capacity since start of FY19
 - Panoramic Resources – 14MW
 - St Barbara – 6MW
 - Various expansions – 4MW
 - Saracen Minerals – 2 year extension at Carosue Dam to 2023
- LOI received for 22MW thermal / 7MW solar project in Africa - 10 year contract to be awarded, subject to negotiation of PPA terms and conditions
- Sizeable tender pipeline in place, although decision making on new contract awards taking longer than expected
- Newmont contract now likely to finish mid February 2019 (previously December 2018)
- Strong cash flows from operations enabling rapid debt reduction ahead of budget – circa \$60m of facility headroom



Outlook

- 40 power generation sites generating contracted cash flows – excellent reliability and visibility
- On track to beat underlying EBITDA guidance of \$54m - \$55m
- High level of tendering / pricing activity should lead to new contracts
- Multi-pronged growth potential from:
 - new contracts
 - expansions at existing stations (usually 10MW – 20MW per year)
 - re-starts of Care & Maintenance stations
 - EPC work
 - acquisitions
- Optimistic about rapidly regaining Newmont lost ground (already secured over 50% through 24MW of new capacity in first four months of FY19)
- Committed management and staff with industry leading expertise and track record
- Well funded to pursue growth with circa \$60m facility headroom
- Record operating cash flow forecast of circa \$45m and strong balance sheet
- Early recommencement of Dividends

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

- Currently engaged in pricing approximately 20 new projects all at various stages
- Awaiting results of approximately 50MW in formal tenders
- 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

Thank You Q&A

