

PACIFIC ENERGY LIMITED

ASX : PEA

2016 ANNUAL GENERAL MEETING



PACIFICENERGY



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FY16 Highlights

Financial

- EBITDA up 23% to \$38.0m (underlying EBITDA up 19% to \$36.8m)
- NPAT up 32% to \$15.7m
- 31% increase in EPS
- Final dividend maintained at 1.5 cps (2.5 cps full year) fully franked
- \$37m investment in equipment; mostly for new long term contracts
- Gearing (net debt:NTA) increased from 19% to 32% following capital investment for new contracts
- Operating cash flow up 23% to \$30.9m

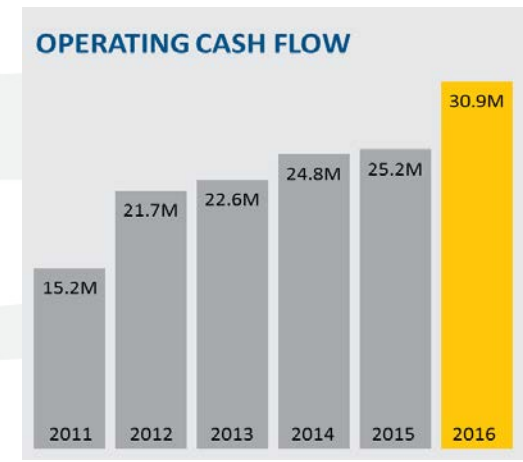
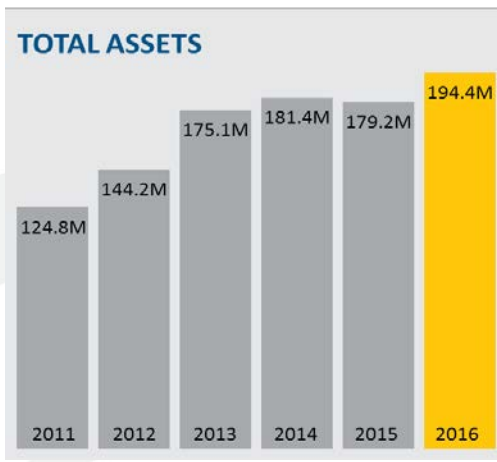
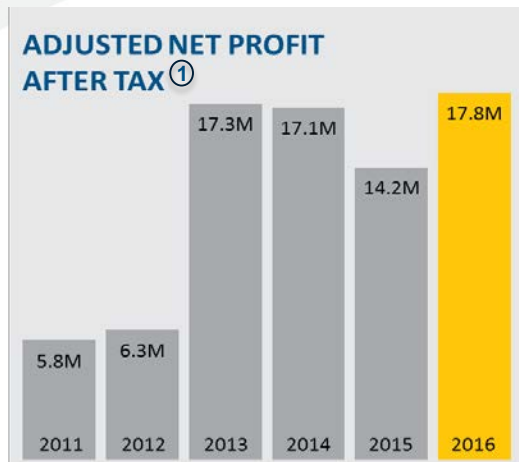
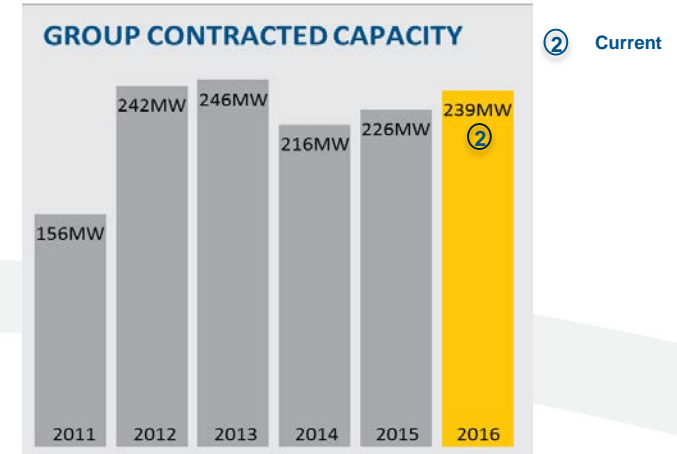
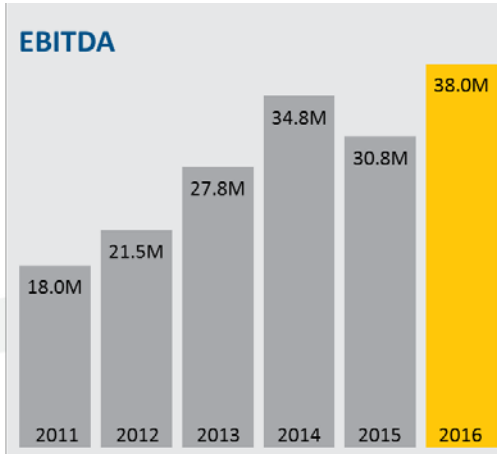
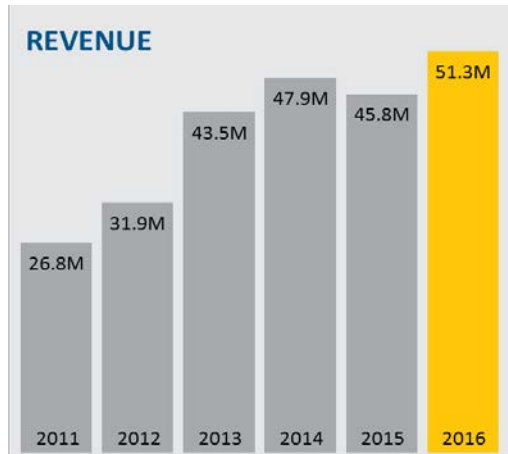
Operating

- 18.6MW of contracts / expansions secured – 239MW total contracted capacity
- Achieved several contract extensions; others pending
- Reductions achieved in corporate and general overheads
- Entered African market, opening office in South Africa in June
- Entered into a formal strategic alliance with juwi Renewable Energy to access solar capabilities
- Excellent reliability, availability and fuel efficiency achieved

***PEA is a sector
stand out with
annuity style
income and
excellent earnings
visibility under
long term
contracts.***

Consistency

- Against the headwinds of the mining downturn in recent years, PEA has been stable and dependable

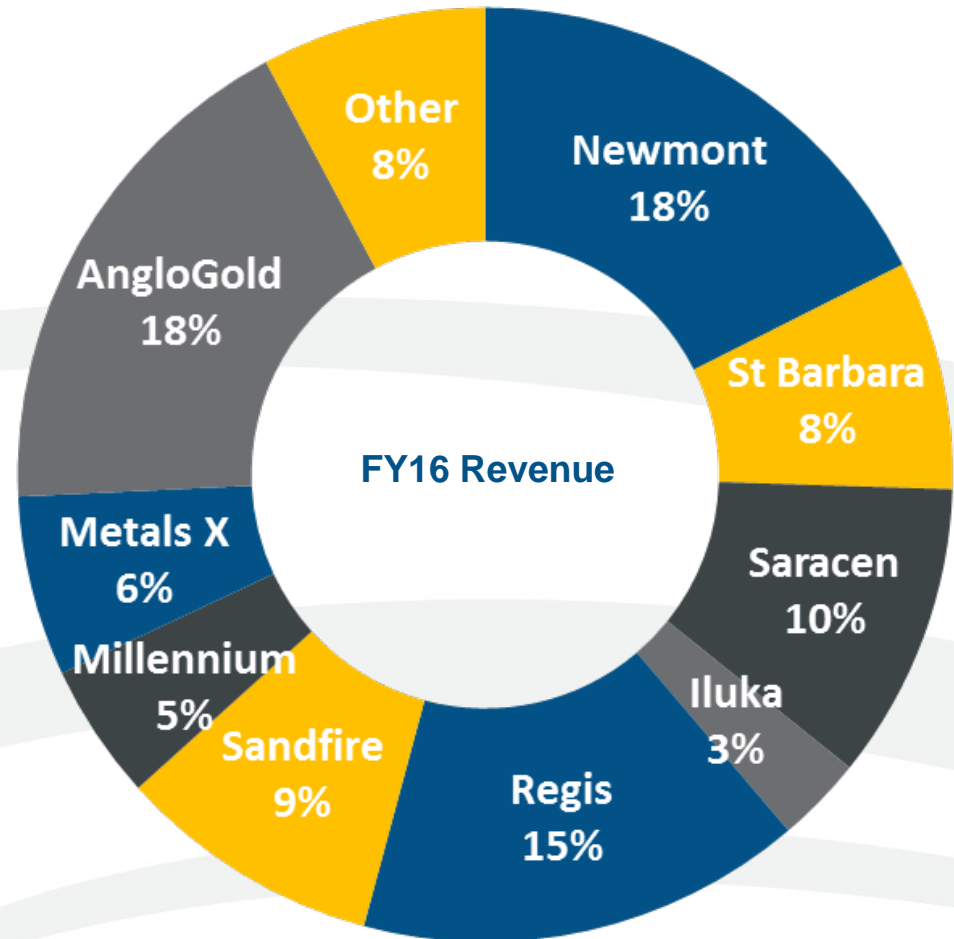


Stable Client Base and Earnings Visibility

- Long term contracts in place - weighted average remaining contract duration of approx 4 years provides strong earnings visibility

- Approximately 80% of revenue from clients with All In Sustaining Cost Margin exceeding 30%

- Commodity exposure – mostly gold, copper, precious metals and mineral sands



Supported by Strong Balance Sheet

	2016 \$m's	2015 \$m's
Cash	5.7	16.3
Receivables	6.6	5.5
PP&E	154.9	129.2
Intangibles	25.2	27.2
Other	2.0	0.9
TOTAL ASSETS	194.4	179.1
Current liabilities (ex debt)	6.1	4.2
Current debt	5.8	5.7
Non current debt	36.1	30.9
Deferred tax	8.4	6.9
Other	1.2	1.3
TOTAL LIABILITIES	57.6	49.0
NET ASSETS	136.8	130.1
NET TANGIBLE ASSETS	111.6	102.9

■ KEY RATIOS

	2016	2015
Current Ratio	1.19	2.29
Net Debt:Net Assets	26.5%	15.5%
Net Debt:NTA	32.4%	18.5%

- Net Debt \$36.2m
- Total Debt Facilities \$60m
- Decrease in current ratio and increase in gearing attributable to large capex spend required for new power stations
- Underpinned by long term contracts which strengthen foundation for continuing strong earnings
- FY17 capex budget \$13m
- In the absence of any major new capex in FY17, budgeted gearing at 30 June 2017 reduces to 22%

Recent Contracts

- **The following new power stations were commissioned in FY16 (mostly second half):**
 - Tropicana (to 2028) – conversion of existing 44MW diesel fuelled power station to gas fuelled
 - Thunderbox (to 2020) – new 14MW gas fuelled power station
 - Deflector (to 2021) – new 7MW power station
 - Bluebird (to 2018) – restart of 8MW power station
 - Dead Bullock Soak (annual renewal contract) – 4MW expansion of existing power station
- **Contract extensions have been secured with:**
 - Millennium Minerals – up to five years (subject to life of mine being extended)
 - St Barbara – eight years
 - Newmont – one year
 - Others pending



Outlook & Growth Initiatives

- On track to achieve FY17 EBITDA guidance of \$40m - \$41m (6.25 EV/EBITDA at 60c share price)
- Strong tender pipeline with over 100MW of new work bid or being bid in Australia – potential for material contract awards in coming months.
- Several existing customers also seeking increased capacity, so likely increases in requirements will result
- Actively seeking opportunities for investment / acquisition in the broader energy and infrastructure market, with recurring revenue theme
- Potential for increased share trading liquidity following Pacific Road sell down to 19 institutions
- **New Initiative:** Establishment of business in Africa
 - Subsidiary established in June 2016
 - African Mining activity is mostly in locations without grid access or reliable grid power
 - 190 ASX listed companies with almost 600 mining projects across 38 African countries; many more owned by Canadian, South African and multinationals
 - Three projects bid (totaling 30+ MW - results pending); another in progress
 - Optimistic about introducing KPS reliability and efficiency to the market and securing long term contracts



Outlook & Growth Initiatives

- **New Initiative:** Solar Strategic Alliance

- Entered into Strategic Alliance with juwi Renewable Energy
- juwi is one of the world's largest renewable energy companies – developed over 1,500 solar PV projects
- Brings together the capabilities, technologies and resources of two leaders in their respective fields – KPS in thermal power and juwi in solar power
- Recently completed 9+ months' work together on largest integrated solar-diesel-battery power system in Australia (10.8MW solar, 20MW diesel, 6MW battery) for Sandfire Resources Ltd
- Focus is off-grid hybrid (solar + diesel/gas) projects
- Alliance provides KPS with immediate capability to undertake large scale integrated off-grid renewable/thermal power projects



Summary

FUNDAMENTALS

- Steady and dependable business continues to deliver
- Provide an essential and permanent specialist service
- Visibility in earnings a key differentiator – long term contracts out to 2028

MINERS' COST FOCUS PLAYS TO KPS STRENGTHS

- Demand for cost effective power solutions suits KPS business
- Market leading position in diesel, gas, dual fuel and waste heat technology

STRONG AND LONG TERM RELATIONSHIPS WITH SOLID CLIENTS

- Long term relationships with global and Australian based miners
- Profitable and stable clients with long term viable projects

GROWTH PLUS NEW OPPORTUNITIES

- 2017 set to deliver record result based on contracted revenue
- New business established in Africa
- Solar strategic alliance with juwi
- Looking at broader energy infrastructure opportunities and acquisitions

FINANCIAL HEALTH

- Balance sheet in good shape
- Consistent and strong cash flow from operations
- Continuing fully franked dividends – 4.2% current yield (@ 60 cents per share)

Conclusion

Thank You
Q&A

