

PACIFIC ENERGY LIMITED

POWER GENERATION

BROKER PRESENTATION



PACIFICENERGY



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Corporate Snapshot

- Power station designer, owner, operator and electricity supplier under long term contracts
- 3 operating subsidiaries:

Subsidiary	Power Stations	MW	Market	Region
Pacific Energy Hydro	2	6	Grid	Victoria
KPS (Australia)	20	233	Off-Grid (miners)	WA, NT, SA
KPS (Africa)	Just Commenced		Off-Grid (miners & others)	Africa

- **Market Capitalisation** \$165m
- Net Debt \$39m
- **Enterprise Value** \$204m
- 12 Month Share Price Range 36c-49c (currently 45c)
- Dividend 2.5 cents fully franked (5.5% @ 45 cents)
- FY16 EBITDA forecast \$35m (on track to exceed)
- EBITDA Multiple 4.7 times
- EV/EBITDA 5.8 times

PEA stands out in its sector with annuity style income and solid earnings visibility under long term contracts.

KPS Business Overview and Point of Difference

Solid History Strong Reputation

- Established in 1981
- Built and run over 40 power stations
- Long-term customers and recurring revenue streams

Innovative Power Station and Electricity Provider

- Design, build own, operate model (typically 2MW to 45MW power stations)
- Implemented range of innovations and technologies in power station design and operation
- Monthly take or pay revenue model
- Long term contracts (5 - 15 years); typically “roll-over” at contract end if mine continues
- Miner supplies fuel (diesel, gas) to KPS; KPS generates and distributes electricity to site

Turnkey Service

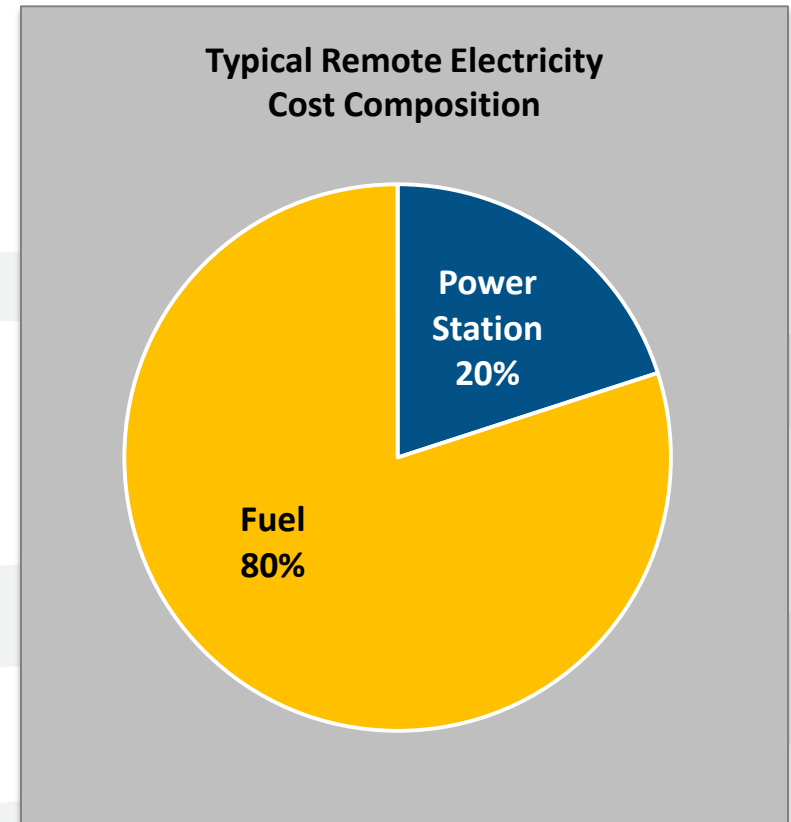
- KPS simplifies the complex undertaking of designing, building, operating and maintaining a remote power station into one managed process – sole point of contact from beginning to end over life of mine
- Single interface throughout life of mine reduces risk, costs and time associated with multiple contractors and advisers
- Standardised design approach allows low risk execution and minimises life cycle costs

Fuel Efficiency & Reliability

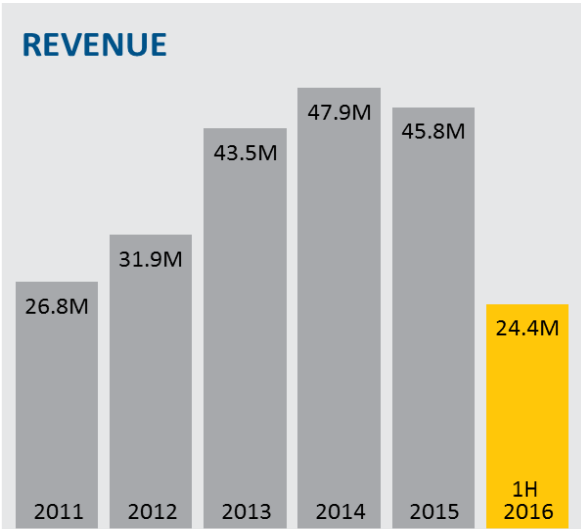
- OEM generators are not designed and built with harsh Australian mining climate (0^o - 45^o) and conditions in mind, so will rarely achieve nameplate performance on mine sites
- KPS has pioneered numerous innovations and modifications that address the issues introduced by remote and harsh mining environments
- Result is market leading fuel efficiency, reliability and control systems across diesel, gas, dual fuel and waste heat recovery technologies
- 24 hour real time monitoring and management systems

Remote Mine Site Power

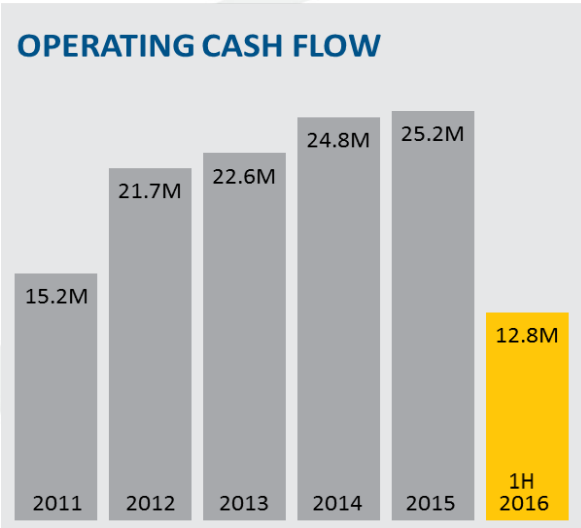
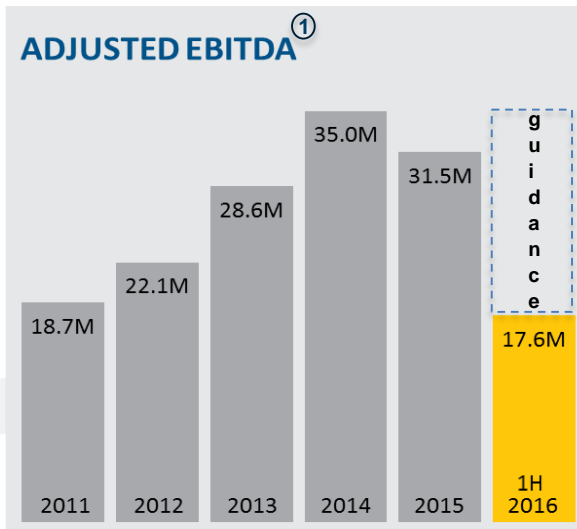
- Electricity generation typically comprises 15% - 25% of total operating costs for remote miners.
- Cost of remote electricity is predominantly fuel (80%), with the actual power station cost (i.e. KPS) comprising a small component (20%).
- Therefore critical for miners to have a highly efficient power station which minimises their fuel cost per kWh – a cheap or inefficient power station can result in costly fuel expenses over a long period.
- Backed by experience, innovation and reliability, KPS guarantees fuel burn rate to its customers, effectively putting a cap on the highest cost component of miners' electricity cost.
- This, together with over 99.9% reliability / availability is a significant attraction for mining companies.



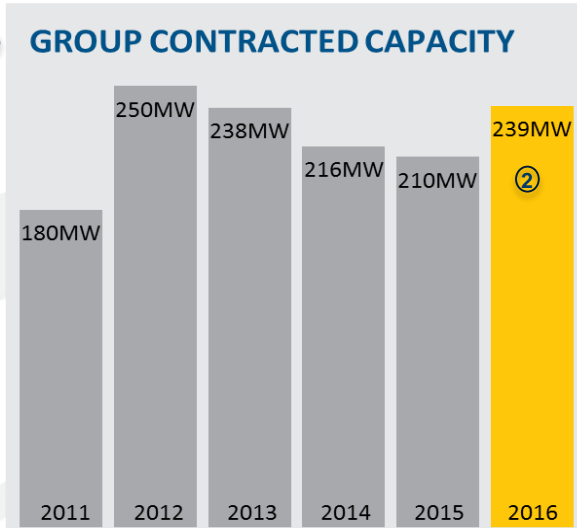
Historical Comparison



①
Adjusted EBITDA equates to EBITDA pre employee share and option expense, impairment of intangible assets and FY15 CEO resignation payment.



②
Current



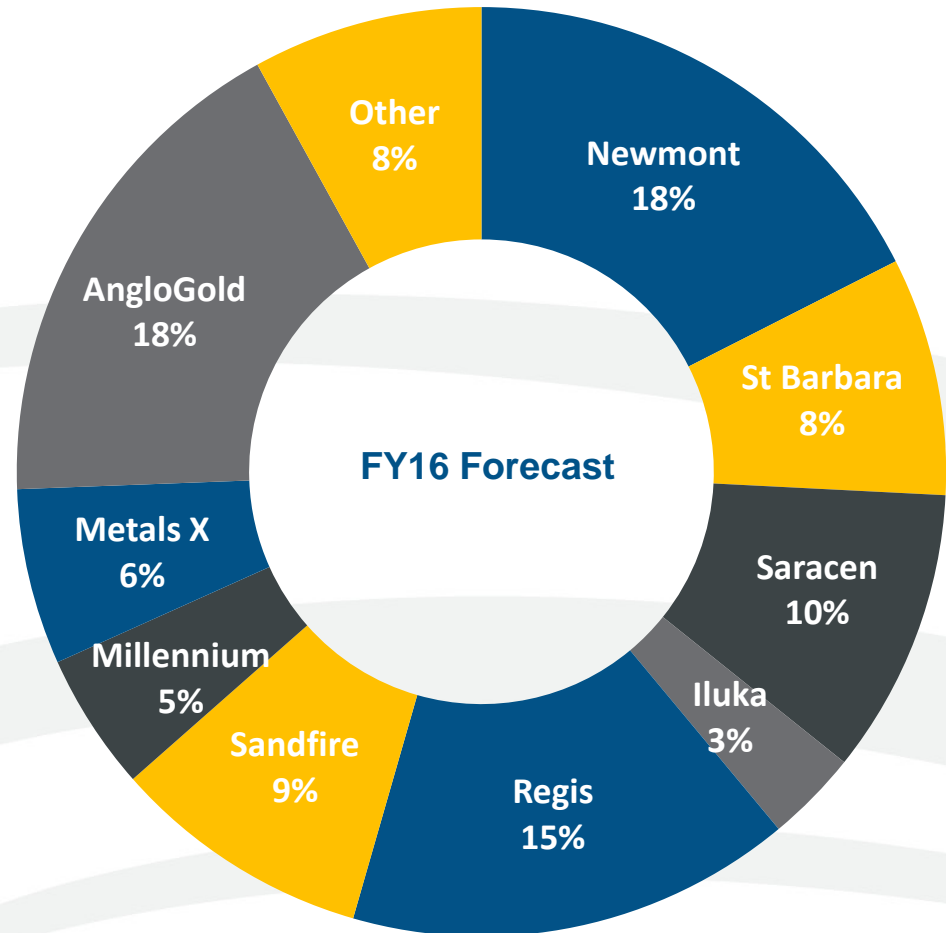
- Growth momentum impacted by mining downturn, but stability in results during this period demonstrates resilience of business (annuity income, take or pay long term contracts, quality customers)
- Emerged with earnings reliability (dividends maintained at 2.5 cps FF)
- Growth has resumed, with 2016 and 2017 poised to deliver successive record results

Stable Client Base and Long Term Contracts

- Over 85% of revenue from clients with All In Sustaining Cost Margin exceeding 40%

- No iron ore exposure – mostly gold, precious metals and mineral sands

- Weighted average remaining contract duration of approx 4 years provides earnings visibility



Outlook & Growth Initiatives

- **Current forecast is \$35m EBITDA. On track to exceed.**
- **Second half stronger than first, underpinned by the following contracts coming on line:**
 - **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**
- **Based on current contracts continuing, expected contract renewals and first full year's income from above contracts, FY17 will deliver further growth and record earnings.**



Outlook & Growth Initiatives

- Working on various tenders and EOI requests – mostly gold, lithium and nickel projects
- Continuing cost focus by miners suits KPS – competitively placed with market leading fuel efficiency and reliability through innovation and technology
- Reviewing opportunities for investment / acquisition in the broader energy infrastructure market
- **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 multinational companies
 - Optimistic about introducing KPS reliability and efficiency to the market
 - Focus on new mining projects and existing operations with ageing / inefficient power infrastructure
 - Already have several early stage opportunities



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
- Focus is off-grid hybrid (solar + diesel/gas) projects
- Recently completed 9+ months work together on largest integrated solar-diesel-battery power system in Australia (10.8MW solar, 20MW diesel, 6MW battery)
- 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
- Production phase exposure – ongoing and permanent requirement for power at operating mines
- 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

RESUMPTION OF GROWTH PLUS NEW OPPORTUNITIES

- 2016 and 2017 set to deliver consecutive record results based on contracted revenue and likely renewals
- 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 – 5.5% current yield (@ 45 cents per share)

Conclusion

Thank You
Q&A

