PACIFIC ENERGY LIMITED

ASX : PEA

2017 RESULTS PRESENTATION

AUGUST 2017

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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)	21	272	Off-Grid (miners)	WA, NT, SA
KPS (Africa)	Commenced July 2016		Off-Grid (miners & others)	Africa

- **Market Capitalisation** **$220m**
- Net Debt $28m
- **Enterprise Value** **$248m**
- 12 Month Share Price Range 50c-77c (currently 60c)
- Dividend 2.5 cents fully franked (4.2% @ 60 cents)
- Major Shareholders Ken Hall (50%) (founder of KPS)
  Institutions (37%)

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

FY17 Highlights

Financial

- EBITDA up 7% to $40.8m (underlying EBITDA up 9% to $40.0m)
- NPAT up 6% to $16.6m
- Operating cash flow up 13% to $35.0m
- Capital investment of $19m (2016: $37m), including expansion capex of $13m
- Final dividend maintained at 1.5 cps (2.5 cps full year) fully franked
- Gearing (net debt:NTA) down from 32% to 23%

Operating

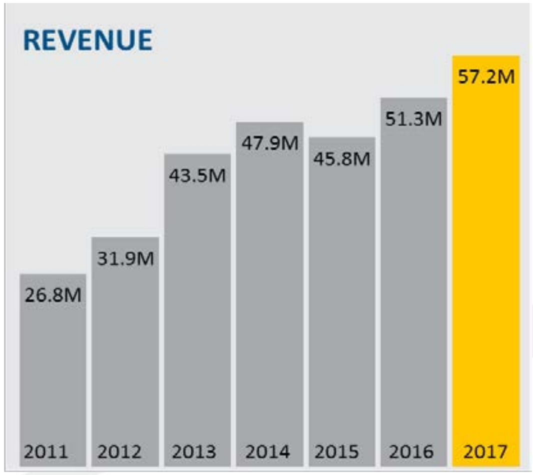
- 39MW of new long-term contracts / expansions of existing contracts secured in past year (16% Increase YOY)
- Secured several multi-year contract extensions
- Completed first year of African expansion strategy – positive response from market ≈ 100MW of current tenders
- Excellent safety, reliability and fuel efficiency reinforce reputation for delivering industry benchmark performance

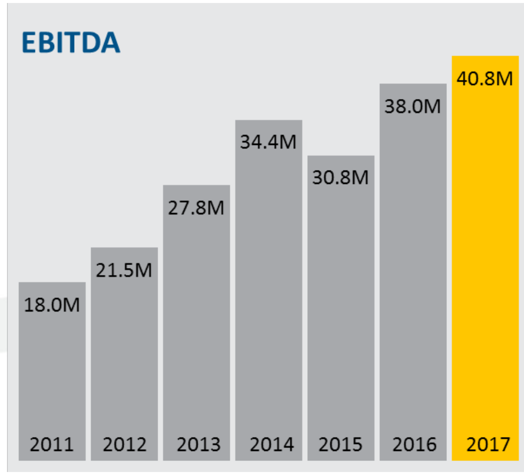
Corporate

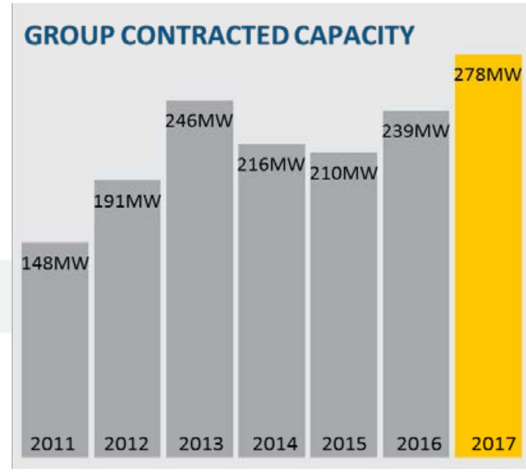
- Substantial change in share register with block trade of Pacific Road's 23% holding to 19 institutional investors
- Increased free float and improved liquidity

Historical Comparison

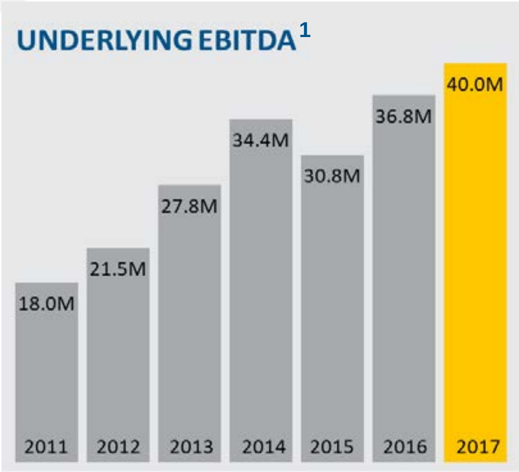
PEA has continued its stable and dependable financial performance with long term power generation contracts

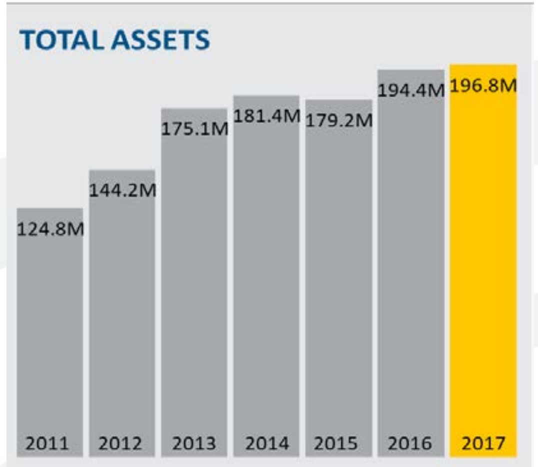


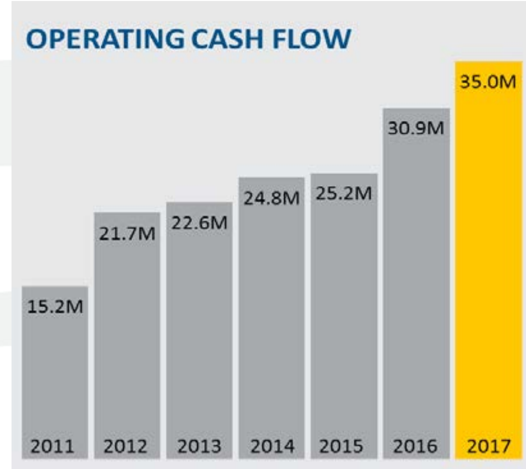




[1] Underlying EBITDA represents reported EBITDA minus profit on sale of listed investment







Key Points

- Reported and underlying EBITDA within guidance (“reported” includes $800k gain on sale of investment)
- Key drivers were full year’s contribution from large FY16 investment to build new / expand existing power stations, as well as part-year impact from commissioning of new capacity during FY17
- Second half underlying EBITDA was slightly less than first half ($20.5m Vs $19.5m), largely due to one-off major flooding event at large site causing lost revenue in January / February
- Total contacted capacity increased 16% to 278MW (record high)
- Start dates on several projects delayed, limiting impact on FY17 results; 253MW installed at 30 June 2017; 262MW currently installed; remaining 16MW in progress with progressive commissioning through to December 2017
- Executed African expansion strategy
  - Local office and management established - cost impact approximately $0.5m per annum
  - Various projects have been bid and in process of being bid, mostly with ASX and TSX listed companies
  - Tracking approximately 20 projects
  - Frustrated by delays in contract awards but highly encouraged with progress, acceptance and potential
- Excellent growth outlook with > 200MW of potential projects being bid (see slide 11) across Australia and Africa

Contract Activity

- **Contracted capacity increased from 239MW to 278MW**

- **New contracts:**
  - **Westgold – new 5MW power station for Fortnum site under 5 year contract**
  - **OM Manganese – re-start of 4MW power station at Bootu Creek**
  - **Altura – new 11MW power station at Pilgangoora site under 5 year contract**

- **Expansions:**
  - **Newmont – 8MW expansion of Tanami operations**
  - **Sandfire – 5MW expansion at DeGrussa and contract extension to December 2021**
  - **Saracen – 2MW expansion at Thunderbox power station**
  - **St Barbara – 4MW expansion following new contract to July 2024**

Balance Sheet

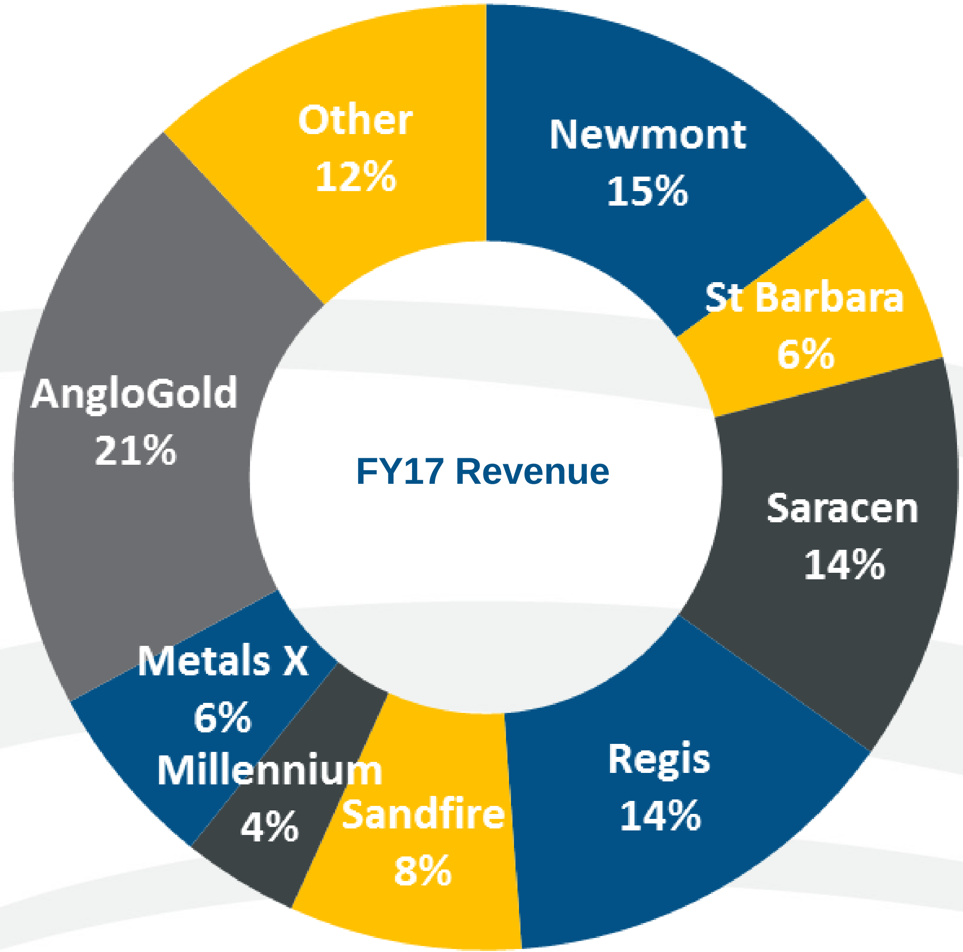
	2017 $m's	2016 $m's
Cash	5.0	5.7
Receivables	6.3	6.6
PP&E	160.0	154.9
Intangibles	24.1	25.2
Other	1.4	2.0
TOTAL ASSETS	**196.8**	**194.4**
Current liabilities (ex debt)	6.3	6.1
Current debt	6.9	5.8
Non current debt	25.9	36.1
Deferred tax	11.5	8.4
Other	1.1	1.2
TOTAL LIABILITIES	**51.7**	**57.6**
NET ASSETS	**145.1**	**136.8**
NET TANGIBLE ASSETS	**121.0**	**111.6**

GEARING	2017	2016
Net Debt: Net Assets	19.2%	26.5%
Net Debt: NTA	22.9%	32.4%

- **Net Debt (debt $33m; cash $5m) $28m**
- **Total Debt Facilities $52m**
- **Interest Cover 25x**
- **FY17 capex spend $19m**
  - → **$13m new projects / expansion capex**
  - → **$6m maintenance and miscellaneous capex**
- **Net debt / gearing forecast to progressively reduce to mid "teens" during FY18**

Stable Client Base and Earnings Visibility

- Long term contracts in place - weighted average remaining contract duration approaching 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
- Some newer commodities and products also in demand

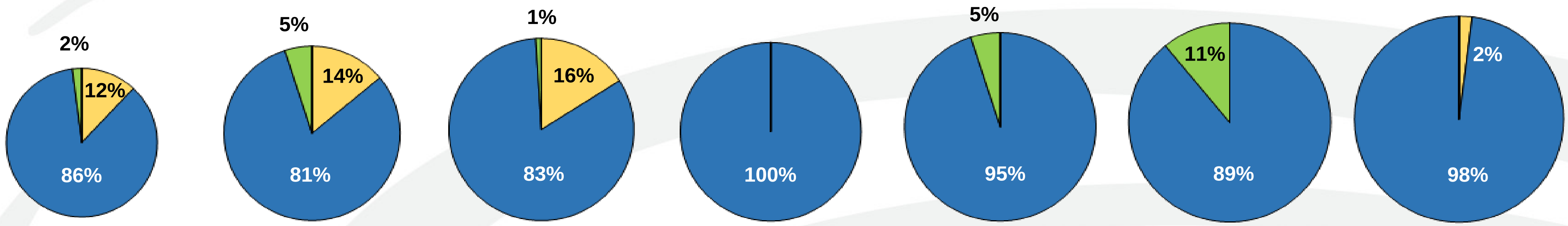


Ability to Grow Earnings from Existing Client Base

- Organic contract expansion / repeat business from existing customers has delivered much growth to PEA
- Power generation requirements at mining operations typically increase over time
- Leads to organic growth within existing contracts
- Performing on existing projects also leads to opportunities on customers' new projects
- Growth is not dependent on finding new customers - track record of expansion with existing customers / sites, including during several difficult recent years for the mining industry

EBITDA GROWTH

FY12	FY13	FY14	FY15	FY16	FY17	FY18 (guidance)
19%	29%	19%	<7%>	19%	9%	9%



Legend:
- Revenue from existing sites, including expansions
- Revenue from new sites - existing customers
- Revenue from new sites - new customers

- **FY12 – FY18 EBITDA growth from $21.5m to $43.5m (guidance mid-point)**
- **Majority of this driven from existing customers**

Outlook

- **EBITDA guidance $43m - $44m (up from $40m in FY17) – based on existing contracts in hand**
- **Any expansions of existing contracts or FY18 impact of any new contracts will improve results**
- **Implies EV/EBITDA (mid range) multiple of 5.7x**
- **Record operating cash flow forecast; capex estimated at $15m ($9m growth + $6m maintenance/other)**
- **FY19 will receive full year benefit of 25MW new capacity being installed 1H18, plus potential new contract awards**
- **Well positioned for solar opportunities through strategic alliance with juwi Renewable Energy**
- **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 opportunities
- Also in discussions on several contract extensions

New Mining Projects

- Very positive outlook for natural resources industry after several tough years
- Actively pricing a range of new projects – ≈ 70MW in outstanding tenders (5 projects) and ≈ 65MW in formal EOI's (7 projects)
- African market presents a new growth frontier. Market entry well received with bids in progress totalling ≈ 100MW (6 projects)

New Opportunities

- Good deal flow of opportunities for new investment (mining, non-mining, renewables, other energy related)
- Opportunities include acquisition of existing power generation assets, as well as business acquisitions or investments
- Currently looking at two opportunities

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

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
- Track record of growing business with existing customers – contract expansions and new projects

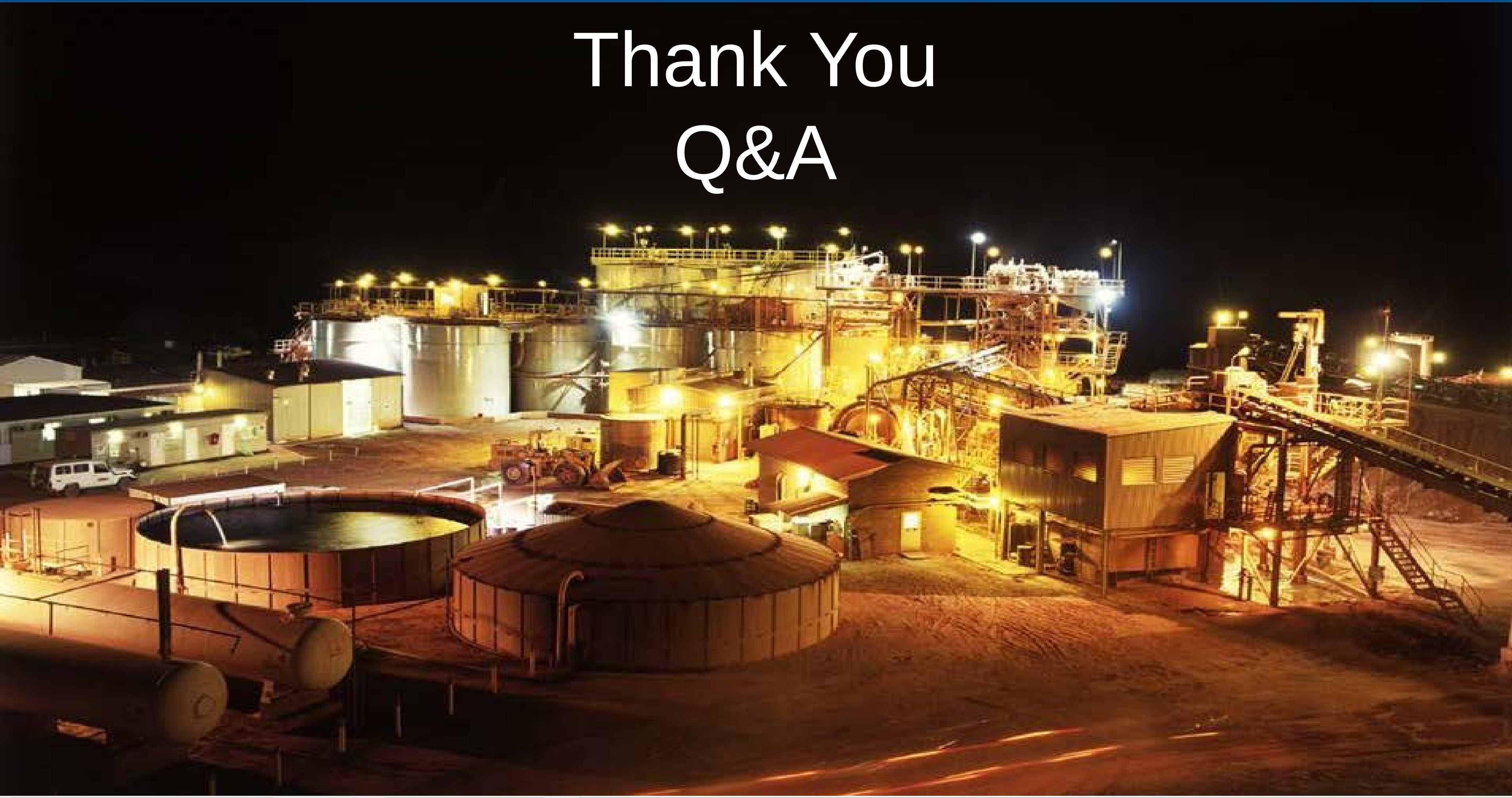
GROWTH TO CONTINUE

- 2018 set to deliver another record result based on contracted revenue
- Expect roll out of KPS business model in Africa to deliver contracts / earnings
- Tendering activity very buoyant
- Outlook for natural resources industry has improved significantly in past year
- 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