

ASX ANNOUNCEMENT

24th August 2018

PACIFIC ENERGY RESULT AT TOP END OF GUIDANCE

Key Points

- **Underlying EBITDA up 10% to \$44.1 million (guidance \$43.0m - \$44.0m)**
- **Reported EBITDA down 23% and reported NPAT down 60% largely due to impairments and non-recurring items recorded during FY18**
- **Transformative year with landmark acquisition of Contract Power Group consolidating position as leading off-grid “Build Own Operate” power generation supplier to mining sector**
- **Acquisition of high-efficiency/low emissions NovaPower gas power station expands NEM presence**
- **Total contracted and installed capacity now over 370MW incorporating diesel, gas, hydro and renewables installations across over 40 operating sites**
- **No Final Dividend as previously disclosed pursuant to financing of Contract Power acquisition**
- **Strong financial resources following \$21m rights issue and new \$140m banking facility**
- **Level of tendering and customer enquiry provides optimistic outlook**
- **FY19 underlying EBITDA guidance \$54m - \$55m**

Power generation specialist Pacific Energy Limited (“Pacific Energy” or “the Company”) today announced underlying Earnings before Interest, Tax and Depreciation (“EBITDA”) for the year ended 30 June 2018 of \$44.1 million following a 10% increase in underlying revenues.

Reported EBITDA was down 23% and reported NPAT was down 59%, largely due to impairments and non-recurring items that the Company recorded during what was a transformational year due to acquisition activity.

The acquisitions of both Contract Power Group (“Contract Power”) and NovaPower have been fully settled and integrated, with the only outstanding financial liability being stamp duty on the Contract Power acquisition, for which the Company has accrued \$3.5 million.

For the purposes of comparing reported EBITDA to underlying EBITDA and previous guidance, a reconciliation is provided on the following page.

Reported EBITDA	\$31.3m
Less: Part year EBITDA contribution from Contract Power	(\$1.7m)
Add: Impairment of fixed assets and intangibles	\$9.8m
Add: Due Diligence costs and accrued stamp duty expense	\$4.7m
Underlying EBITDA	<u>\$44.1m</u>

The increased underlying revenue and profit results represent record levels for the Company, with growth generated primarily from completing construction on a number of new projects and expansions, as well as benefiting from a full year's contributions from investments in new capacity commissioned part way through last year.

Pacific Energy is pleased to report that the new financial year has begun with solid momentum in both its KPS and Contract Power businesses, which are in the advanced stages of negotiations on several new contracts and contract expansions. The Contract Power business is performing in line with expectations, albeit with slight timing delays in finalising new contracts.

Guidance for underlying FY19 EBITDA is \$54 - \$55 million.

The Company is positioned strongly to capitalise on future opportunities with its balance sheet in a solid position following completion of its oversubscribed \$21 million rights issue and a new \$140 million bank facility provided by NAB and ANZ at an attractive cost of funds.

Managing Director's Comment

Pacific Energy's Managing Director, Mr Jamie Cullen commented that 2018 was an exciting year for the Company as it increased its presence and capabilities through both organic growth and acquisition activity.

"With the work that has been completed over the 2018 financial year we have built an expanded and diversified portfolio incorporating long term power generation activities which span:

- thermal and renewable power
- off-grid, on-grid and micro-grid
- mining, townships and NEM
- Build Own Operate and EPC capabilities

In addition we have augmented our specialist personnel resources through the acquisition of Contract Power, which delivers us increased capacity and capabilities. With long term contracts across over 40 sites, installed capacity approaching 400MW and mining activity continuing to increase, we have certainly finished the year in a sound position."

Mr Cullen said that despite the outstanding year for the Company and the increase in new contracted capacity, it will be demobilizing 44MW of power generation equipment from Newmont Mining's Tanami site in the third quarter of FY19. All of the equipment is re-deployable and will reduce future capital expenditure requirements.

"Judging by the level of tendering and general pricing activity that we are seeing in the sector, we are confident of achieving full re-deployment of the ex-Newmont equipment" he said.

Cash Flow & Dividends

The Company generated slightly higher cash flow from operating activities than the previous year, up 3% to \$35.9 million.

These operating cash flows as well as existing cash reserves were used to fund capital expenditure of \$22 million and dividends, as well as contribute to funding acquisitions during the year.

In the absence of any unbudgeted new capital expenditure requirements that may arise in FY19, net debt is forecast to progressively reduce as a result of continuing solid cash flow from operating activities.

As previously disclosed, the Company has suspended its dividends for one year pursuant to the funding arrangements for the Contract Power acquisition. Therefore, there will be no final FY18 dividend and no interim FY19 dividend. The Company intends to resume dividends, commencing with the final FY19 dividend.

Outlook

Further growth in the new financial year is expected to come from a full year of Contract Power and NovaPower results, organic growth from within existing contracts and new contracts that the Company aims to secure.

The Company notes that the resource industry outlook remains positive and it is confident of achieving its forecast of \$54 - \$55 million in underlying EBITDA for FY19 as well as securing new contracts that will underwrite further growth into FY20.

Against this backdrop of increasing resource industry activity, the Company is well placed to continue successfully meeting the demands of servicing the remote power sector, both operationally and financially.

Operationally, its ongoing investment in innovation, personnel and equipment coupled with deep industry knowledge and experience provides a high level of confidence to customers that they will receive mission critical, uninterrupted power supply to their remote operations.

The Company remains in very good financial health with significant headroom in its financing facilities, solid operating cash flows, reliable long-term annuity type income streams and a healthy balance sheet.

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