

MERREDIN ENERGY GROUP QUARTERLY REPORT DECEMBER 2017

Date 12 February 2018

Rev.	Status	Prepared By	Checked By	Approved	Date
0	For issue	PAM Management	D Waterson	J Delicato	12-Feb-2018

1. Executive Summary

	Dec 17 Quarter (000's)				Year to Date (000's)			
	Dec 16		Budget	Budget Variance	Dec 16		Budget	Budget Variance
	Actual	Variance			Actual	Variance		
Revenue	2,369	112	2,505	136	4,866	86	5,010	144
Operating Expenses	594	88	628	34	1,346	5	1,256	90
EBITDA	1,775	24	1,877	102	3,521	82	3,754	233

Financial

- Revenue for the December quarter is below budget due to a decrease in the reserve capacity price
- Operating expenses are generally in line with budget for the December 2017 quarter and YTD

Operational

- DWER have approved an amendment to the EPA licence to permit emissions testing on a five-yearly basis
- The summer reserve capacity test was attempted on 9 October 2017. Synchronising issues affected GT2 availability. The unit was rectified and the test was successfully completed on 10 October 2017
- Both GT diesel starter engines were serviced in November 2017. Fuel check valve replaced in GT2 starter engine (same valve was previously replaced in
- ERA Audit and Performance Review Report is complete and ready for submission. Action plan developed to ensure on-going compliance
- All 31 pressure safety valves on site were tested in December 2017. Two valves were found to be defective. Replacement valves ordered and faulty units will be rerepaired and used as on-site spares
- Both units operated without issue for the November and December 2017 full speed no load tests
- Winter Reserve capacity test is planned for April/May 2018

1.1 Performance against Asset Management Agreement KPI's

KPI	Activity	Measure	QTR	YTD	Annual Target	YTD Traffic Light
Manage Operational Risk	Health & Safety	No. of lost time and medical treatment injuries	0	0	0	
		Near misses	0	0	25	
		Hazards identified	0	0	12	
	Legislative Compliance	Infringement notices received	0	0	0	
		Fines issued	0	0	0	
	Power Station Integrity	Detailed procedures written for each preventative maintenance task for both turbine and BOP	50%	50%	100%	
	Maintenance Plan	Maintenance plan compliance	100%	100%	98%	
	Start Reliability	GTG1	100%	92%	95%	
GTG2		50%	67%	90%		
Financial	Capacity Payments	Reserve capacity refunds	0.40%	0.32%	< 2%	
	Within Budget	Merredin Energy costs	95%	107%	100%	
Reporting to Board	Management Accounts	BD10 after month end	100%	100%	100%	
Compliance	Financial audit and compliance	Audit and compliance plan completed to plan	100%	100%	100%	
Credit Management	Credit Management	Aged debtors > 45 days	-	-	-	

Red signifies action being taken to address issues or close watch on progress

2. Safety

Safety statistics for December QTR shown in table below

	QTR 2017	YTD	Annual Target	YTD Traffic Light
LTIs	0	0	0	
LTIFR	0	0	0	
MTIs	0	0	0	
Hazards identified	0	0	12	
Incidents reported ¹	0	0	0	

¹ Includes safety and vehicle incidents as well as near misses.

Details of reported Incidents as follows:

- No reported incidents during the quarter

Details of Hazards Reported:

- No reported hazards during the quarter

3. Treasury

3.1 Treasury Analysis

The following treasury analysis is for the ME Group;

- Cash held in the ME Project Account totalled \$1.6M at 31 December 2017
- Cash held in the ME Term Deposit totalled \$335k at 31 December 2017

3.2 Delegated Authority

There were no breaches of the Delegated Authority Policy during the December 2017 quarter

3.3 Debt Compliance

ME has been compliant with the Note Trust Deed for the December quarter. The first repayment under the new facility is due in February 2018

Fixed Rate Bonds

	Coupon Type	Maturity Date	Coupon	Yield to Maturity	Running Yield	Market Clean Price
Merredin Energy Pty Ltd	Fixed	15-Nov-22	7.50%	6.85%	7.31%	102.63

Note: Data extracted from FIGG Securities Limited. (January 2018)

4. Finances

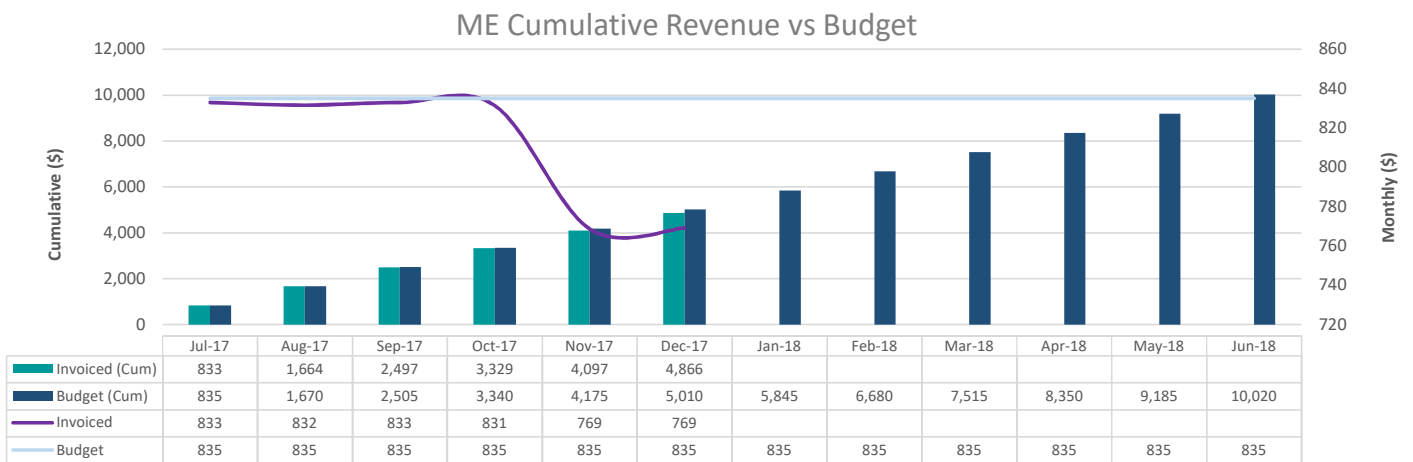
4.1 Revenue

Dec 17 Quarter (000's)			
Dec 16		Budget	
Actual	Variance	Budget	Variance
2,369	112	2,505	136

Year to Date (000's)			
Dec 16		Budget	
Actual	Variance	Budget	Variance
4,866	86	5,010	144

- Revenue for the December 2017 quarter is below budget due to the drop in the Reserve Capacity Price (RCP). The current RCP is \$9,313 per MW compared to \$10,212 per MW which was allowed for in the budget. The RCP was reset in October 2017

Figure 1: ME Consolidated Group Cumulative Revenue vs Budget

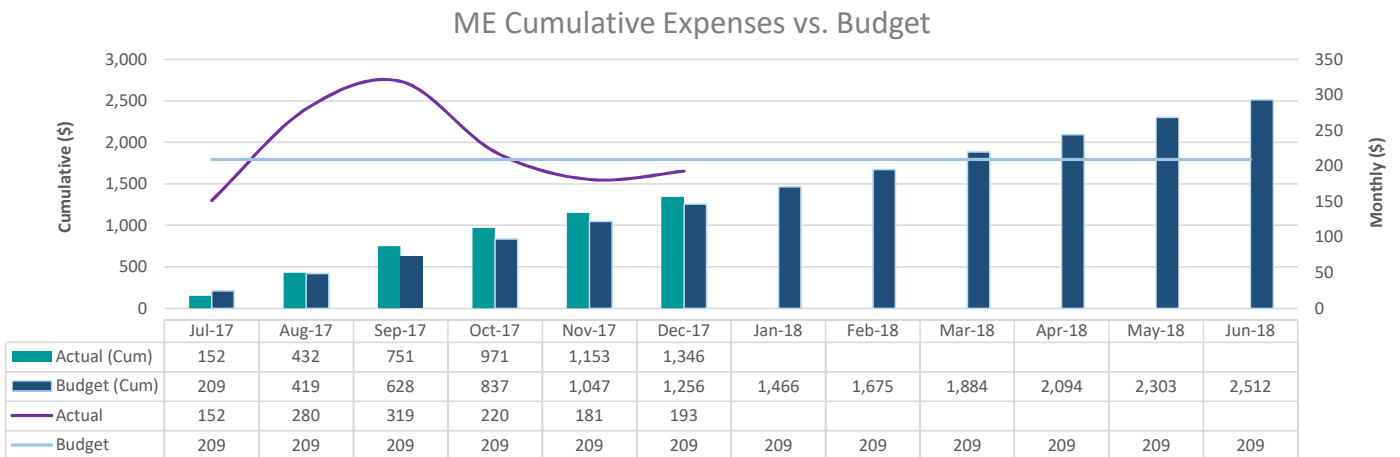


4.2 Expenses

Dec 17 Quarter (000's)				Year to Date (000's)			
Actual	Dec 16 Variance	Budget	Budget Variance	Actual	Dec 16 Variance	Budget	Budget Variance
594	88	628	34	1,346	5	1,256	90

- Operating expenditure is noted ahead of budget for the December 2017 quarter. Additional one-off costs incurred relating transition of service providers in Q1 2018 is the primary driver of YTD variance against budget. There has also been some unbudgeted spend on the testing of safety valves and the assessment of site pressure vessels and lifting beams

Figure 2: ME Consolidated Group Cumulative Expenses vs Budget



4.3 EBITDA

Dec 17 Quarter (000's)				Year to Date (000's)			
Actual	Dec 16 Variance	Budget	Budget Variance	Actual	Dec 16 Variance	Budget	Budget Variance
1,775	24	1,877	102	3,521	82	3,754	233

Figure 3: ME Consolidated Group Cumulative EBITDA vs Budget

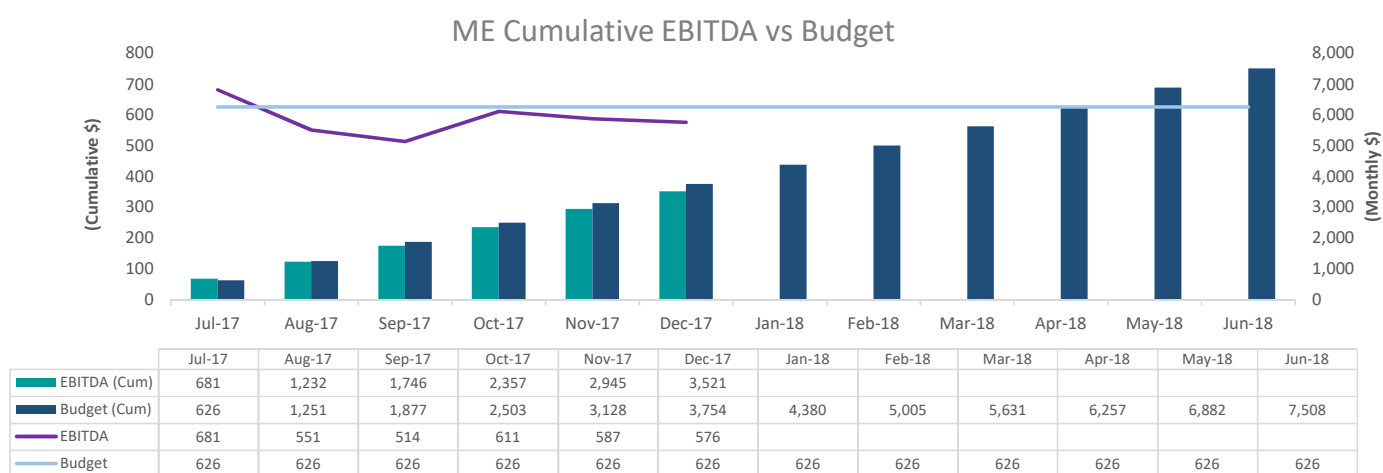
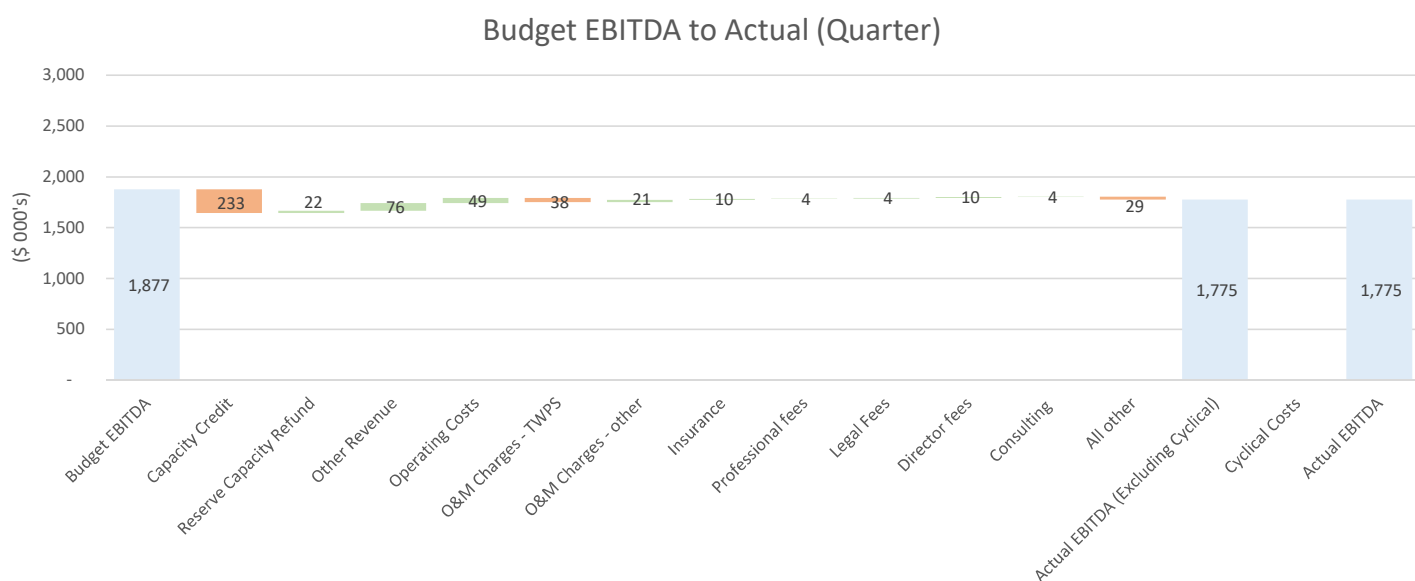


Figure 4: ME Consolidated Group Cumulative EBITDA vs Budget



5. Operational Update

- DWER have approved an amendment to the EPA licence to permit emissions testing on a five-yearly basis
- The summer reserve capacity test was attempted on 9 October 2017. Synchronising issues affected GT2 availability. The unit was rectified and the test was successfully completed on 10 October 2017
- Both GT diesel starter engines were serviced in November. Fuel check valve replaced in GT2 starter engine (same valve was previously replaced in GT1)
- ERA Audit and Performance Review Report is complete and ready for submission. Action plan developed to ensure on-going compliance
- All 31 pressure safety valves on site were tested in December. Two valves were found to be defective. Replacement valves ordered and faulty units will be rerepaired and used as on-site spares
- Both units operated without issue for the November and December full speed no load tests
- Winter Reserve capacity test is planned for April/May 2018

5.1 Overhauls

Factored Starts towards the first Combustion Inspection (CI)

	Forecast for Financial Year	Oct	Nov	Dec	YTD	Life to Date	Remaining until CI	Years until CI due
GTG 1	22	6.9	1.5	1.5	14.4	344.3	455.7	20.7
GTG 2	22	5.7	1.5	1.5	14.7	233.4	566.6	25.8

6. Projects

- Interlocks on turbine room floors are being reviewed to allow access without triggering an outage
- External access to the control system established. Control systems review will take place in 2018

7. Asset Management

7.1 General

- A detailed action list has been established and is reviewed fortnightly
- CMMS project complete. TWPS to provide feedback and recommendations for refinement as necessary
- A program has been established for rectification of vessels and lifting equipment

7.2 Health Safety and Environment

- Annual Emissions testing has been conducted. All emissions are within acceptable limits

8. Other Matters

8.1 Incidents

- No reported incidents for the quarter

8.2 Regulatory

- ERA Audit and Performance Review Report completed. Action plan developed to ensure on-going compliance.

8.3 Risk

- No additional risks or policy amendments during the quarter

8.4 Staffing Matters

- Steve Morrow (TWPS) was replaced by Ray Mosele (TWPS)

APPENDIX A: FINANCIAL REPORT

Merredin Energy Holdings Pty Ltd and Consolidated Income Statement For the period 01/07/2017 - 31/12/2017												
	QTD						YEAR TO DATE					
	ME	MEH	Cons. Adj	Consolidated	Consolidated Budget	Over/Under Budget	ME	MEH	Cons. Adj	Consolidated	Consolidated Budget	Over/Under Budget
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Capacity Credit	2,278,694	-	-	2,278,694	2,512,169	(233,476)	4,777,417	-	-	4,777,417	5,024,339	(246,922)
Reserve Capacity Refund	8,962	-	-	8,962	(12,561)	21,523	7,601	-	-	7,601	(25,122)	32,722
Other Revenue	81,346	-	-	81,346	5,474	75,872	81,346	-	-	81,346	10,947	70,399
Total Revenue	2,369,001	-	-	2,369,001	2,505,082	(136,081)	4,866,363	-	-	4,866,363	5,010,164	(143,801)
Operating Costs	209,156	-	-	209,156	232,863	(23,707)	371,700	-	-	371,700	465,727	(94,027)
O&M Charges - TWPS	153,196	-	-	153,196	115,000	38,196	304,794	-	-	304,794	230,000	74,794
O&M Charges - other	41,914	-	-	41,914	62,484	(20,570)	147,776	-	-	147,776	124,967	22,808
Insurance	51,106	-	-	51,106	61,065	(9,959)	107,811	-	-	107,811	122,130	(14,319)
Professional fees	-	-	-	-	8,502	(8,502)	4,000	-	-	4,000	17,003	(13,003)
Legal Fees	1,000	-	-	1,000	5,323	(4,323)	17,298	-	-	17,298	10,646	6,652
Director fees	(469)	-	-	(469)	9,500	(9,969)	21,323	-	-	21,323	19,000	2,323
Consulting	5,618	-	-	5,618	9,147	(3,529)	109,520	-	-	109,520	18,294	91,226
All other	132,905	-	-	132,905	124,189	8,715	261,484	-	-	261,484	248,378	13,105
Total Expenses	594,426	-	-	594,426	628,073	(33,647)	1,345,705	-	-	1,345,705	1,256,146	89,559
EBITDA Pre Cyclical Costs	1,774,575	-	-	1,774,575	1,877,009	(102,434)	3,520,659	-	-	3,520,659	3,754,019	(233,360)
Total Cyclical & Non-Cyclical Costs												
EBITDA Post Cyclical Costs	1,774,575	-	-	1,774,575	1,877,009	(102,434)	3,520,659	-	-	3,520,659	3,754,019	(233,360)
Other Income and Expenses												
Depreciation and amortisation	749,599	-	-	749,599	755,526	(5,928)	1,518,275	-	-	1,518,275	1,511,053	7,223
Interest income	3,717	-	-	3,717	5,534	(1,818)	8,106	-	-	8,106	11,069	(2,963)
Other Gains	2,439,121	-	-	2,439,121	-	2,439,121	2,439,121	-	-	2,439,121	-	2,439,121
Other expenses	1,123,512	-	-	1,123,512	617,358	506,153	1,974,093	-	-	1,974,093	1,234,717	739,377
EBT	2,344,303	-	-	2,344,303	509,659	1,834,644	2,475,517	-	-	2,475,517	1,019,319	1,456,198
Income Tax Expense	(39,364)	-	-	(39,364)	(279)	(39,085)	-	-	-	-	(558)	558
Deferred Tax Expense	742,655	-	-	742,655	154,783	587,872	742,655	-	-	742,655	309,565	433,090
Income after tax	1,641,012	-	-	1,641,012	355,156	1,285,856	1,732,862	-	-	1,732,862	710,311	1,022,551

Merredin Energy Holdings Pty Ltd and controlled entity Consolidated Balance Sheets As at 31 December 2017						
	ME	MEH	Elimination	Consolidated	30 June 2017	
	\$	\$	\$	\$	\$	\$
Cash and cash equivalents	1,961,683	-	-	1,961,683	1,162,256	
Accounts Receivable	1	-	-	1	726,255	
Accrued Income	1,517,972	-	-	1,517,972	333,495	
Capitalised Borrowing Costs - Current	466,038	-	-	466,038	1,185,943	
AA Borrowing Costs	(58,733)	-	-	(58,733)	(1,047,780)	
Other Receivables	5,000	-	-	5,000	1,356	
Prepayments	180,016	-	-	180,016	106,018	
Inventory	1,040,730	-	-	1,040,730	1,056,971	
Total current assets	5,112,705	-	-	5,112,705	3,524,513	
Land	204,702	-	-	204,702	204,702	
Plant and Equipment	79,302,840	-	-	79,302,840	79,291,491	
Accumulated Depreciation - Plant and Equipment	660	-	-	660	660	
Furniture and Office Equipment	(18,854,514)	-	-	(18,854,514)	(17,336,270)	
Accumulated Depreciation - Furniture and Office	(660)	-	-	(660)	(628)	
Capitalised Borrowing Costs - Non Current	1,979,530	-	-	1,979,530	-	
Bond Deposits on Trusts	130,000	-	-	130,000	130,000	
Investment in Merredin Energy	-	1,000,000	(1,000,000)	-	-	
Goodwill	-	-	561,045	561,045	561,045	
Deferred Tax Asset	(1,303,378)	3,291,975	-	1,988,598	2,731,253	
Total non-current assets	61,459,180	4,291,975	(438,955)	65,312,200	65,582,251	
Total Assets	66,571,885	4,291,975	(438,955)	70,424,905	69,106,765	
Accounts Payable	316,394	-	-	316,394	179,964	
Accrued Expenses	267,848	-	-	267,848	237,304	
Net GST Payable	(197,229)	-	-	(197,229)	52,783	
Interest Payable	412,500	-	-	412,500	86,597	
Interest Payable - Advance on Interest	-	-	-	-	25,819	
Debt Facility - Current	2,640,000	-	-	2,640,000	37,201,988	
Derivative Financial Instruments - Current	-	-	-	-	1,323,336	
Fuel Tax Credit	(28,806)	-	-	(28,806)	-	
Advance on Interest - Current	-	-	-	-	610,877	
Provision for Income Tax	84,801	145,267	(230,068)	-	-	
Intercompany Loan - Merredin Energy Holdings Pty Ltd	25,872,437	(25,872,437)	-	-	-	
Total current liabilities	29,367,945	(25,727,170)	(230,068)	3,410,707	39,718,668	
Derivative Financial Instruments - Non Current	-	-	-	-	3,430,210	
Debt Facility - Non Current	41,360,000	-	-	41,360,000	-	
Advance on Interest - Non Current	-	-	-	-	2,036,551	
Total non-current liabilities	41,360,000	-	-	41,360,000	5,466,761	
Total Liabilities	70,727,945	(25,727,170)	(230,068)	44,770,707	45,185,428	
Net assets	(4,156,060)	30,019,145	(208,888)	25,654,198	23,921,336	
Issued Capital - Ordinary Shares	15,000	-	(15,000)	-	-	
Capital Raise	-	31,147,016	-	31,147,016	31,147,016	
Retained Profits	(5,903,922)	(1,127,871)	(193,888)	(7,225,680)	(9,444,982)	
Current Year Earnings	1,732,862	-	-	1,732,862	2,219,302	
Total Equity	(4,156,060)	30,019,145	(208,888)	25,654,198	23,921,336	

Important Notice and Disclaimer

This management scorecard has been prepared under Clause 13.1 (iii) of the Note Trust Deed, current as at date of publishing (12 February 2018). It is not intended to be relied upon as advice to Noteholders and does not take into account the investment objective, financial situation or needs of any particular Noteholder.

This should be considered, with or without professional advice, when deciding if an investment is appropriate. Merredin Energy Pty Ltd is not licensed to provide financial product advice in relation to Merredin Energy Notes or any other financial products.

This report may not be distributed, reproduced or used without the prior written consent of Merredin Energy Pty Ltd for any purpose.

The information in this management scorecard has not been independently verified by accountants and/or company auditors.

Recipients should not rely on any information in this management scorecard as a representation of fact and should make their own independent investigations and rely upon their own enquiries as to the accuracy and completeness of any information. Any reliance placed by the Recipient on any information shall be at their own risk and Merredin Energy Pty Ltd and other related entities shall not be liable for any indirect or consequential loss whatsoever or howsoever arising.

This management scorecard may contain forward looking statements relating to Merredin Energy Pty Ltd's operations that are based on management's current expectations, estimates, projections and assumptions. These statements are not guarantees of future performance, results, achievements or other events and are subject to certain risks, uncertainties and other factors, some of which are beyond the control of Merredin Energy Pty Ltd or their representatives and are difficult to predict. Therefore, actual outcomes and results may differ materially from what is expressed, forecast or projected in such forward-looking statements. No representations, warranties or undertakings are made as to the accuracy or reasonableness of such expectations, estimates, projections and assumptions or the projections or any forward-looking statements based thereon.