

## MERREDIN ENERGY GROUP QUARTERLY REPORT MARCH 2018

Date 08 May 2018

Rev.	Status	Prepared By	Checked By	Approved	Date
0	For issue	PAM Management	D Waterson	J Delicato	08-May-2018

### 1. Executive Summary

	Mar 18 Quarter (000's)				Year to Date (000's)			
	Actual	Mar 17 Variance	Budget	Budget Variance	Actual	Mar 17 Variance	Budget	Budget Variance
Revenue	2,290	195	2,505	215	7,156	281	7,515	359
Operating Expenses	556	129	628	73	1,901	134	1,884	17
EBITDA	1,734	66	1,877	143	5,255	147	5,631	376

#### Financial

- Revenue for the March quarter is below budget due to a decrease in the reserve capacity price
- Operating expenses are generally in line with budget for the March 2018 quarter and YTD

#### Operational

- FSNL testing on GT units successfully completed in January and February 2018
- During February FSNL testing, the GT2 diesel starter engine was suffering intermittent speed control reliability. This issue was due to a faulty fuel transfer pump, and loose wiring to the engine control module which was subsequently repaired
- The CO2 fire suppression system discharged for both units due to an extreme weather event activating both 'break glass' switches and replacement gas has been arranged for delivery in early May
- Terry Robartson has resigned from his position as Station Operator/Maintainer. TWPS advertised the position and have secured Gareth Davies who will commence on site during May 2018
- Winter Reserve capacity test is planned for 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%	92%	98%	
	Start Reliability	GTG1	100%	94%	95%	
GTG2		67%	67%	90%		
Financial	Capacity Payments	Reserve capacity refunds	0.05%	0.20%	< 2%	
	Within Budget	Merredin Energy expenditure	88%	101%	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 March QTR shown in table below

	QTR 2018	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 <sup>1</sup>	0	0	0	

<sup>1</sup> 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 \$1.9M at 31 March 2018
- Cash held in the ME Term Deposit totalled \$335k at 31 March 2018

### 3.2 Delegated Authority

There were no breaches of the Delegated Authority Policy during the March 2018 quarter

### 3.3 Debt Compliance

ME has been compliant with the Note Trust Deed for the March quarter. The second repayment under the new facility is due in May 2018

#### Fixed Rate Bonds

	Coupon Type	Maturity Date	Coupon	Yield to Maturity	Running Yield	Market Clean Price
<b>Merredin Energy Pty Ltd</b>	Fixed	15-Nov-22	7.50%	6.87%	7.34%	102.11

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





### 4.3 EBITDA

Mar 18 Quarter (000's)				Year to Date (000's)			
Actual	Mar 17 Variance	Budget	Budget Variance	Actual	Mar 17 Variance	Budget	Budget Variance
1,734	66	1,877	143	5,255	147	5,631	376

Figure 3: ME Consolidated Group Cumulative EBITDA vs Budget

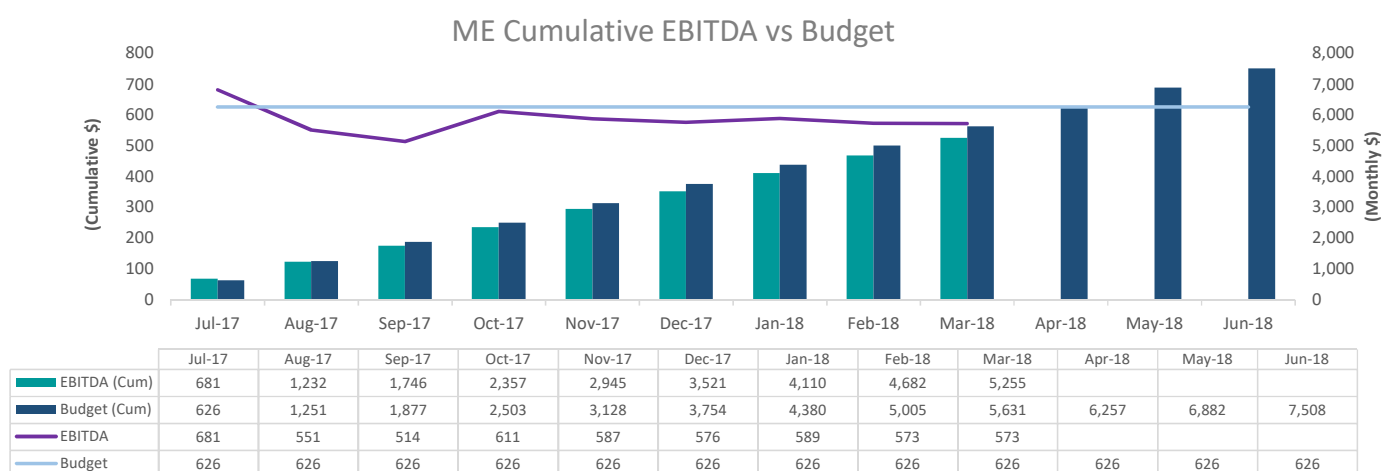
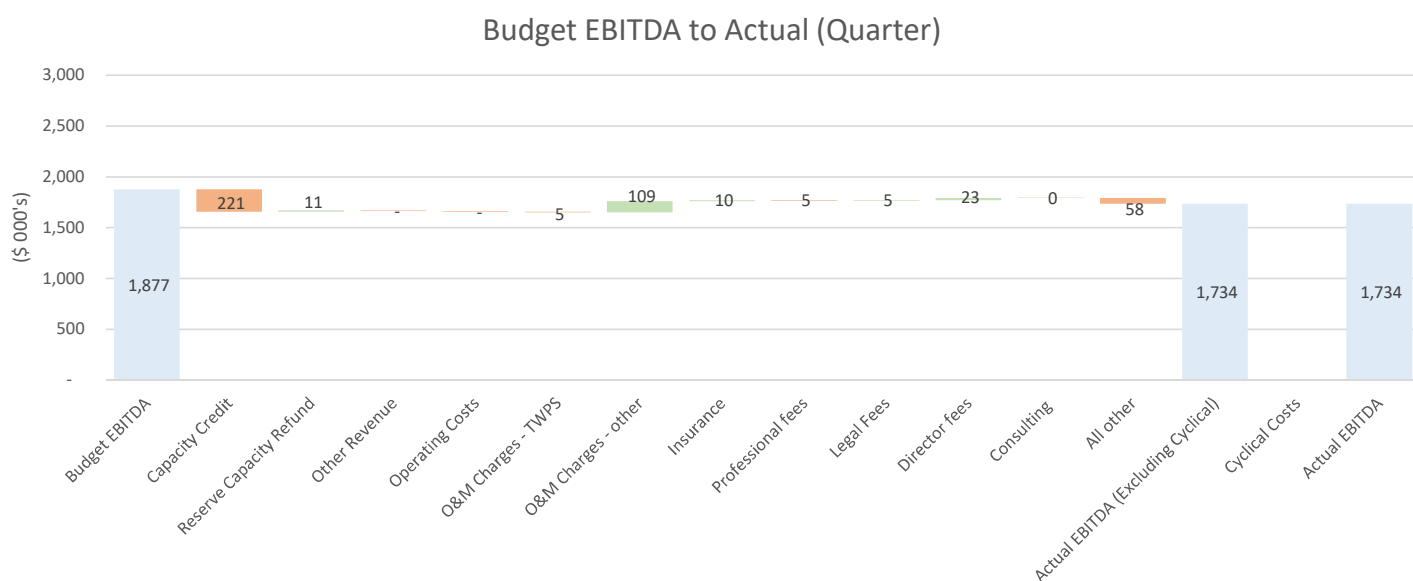


Figure 4: ME Consolidated Group Cumulative EBITDA vs Budget



## 5. Operational Update

- Both GT units had FSNL tests in Jan and Feb. GT2 was also run to FSNL in March. Going forward GT1 will be subject to FSNL test every second month and GT2 will continue to be tested every month until start reliability can be assured
- During Feb FSNL test, the GT2 diesel starter engine was suffering intermittent speed control reliability. This issue was due to a faulty fuel transfer pump and loose wiring to the engine control module. A new fuel pump was sourced and the wiring issues rectified to bring the unit back into service. The GT2 starter was operated several times without issue following the outage
- The CO2 fire suppression system discharged for both units due to an extreme weather event activating both 'break glass' switches. All CO2 bottles were exchanged with the spare set, alarms reset, and the units put back into operation. Stable alternative options for activating the system are being sourced. The spare bottles are due to be recharged in early May
- Terry Robartson has resigned from his position as Station Operator/Maintainer. TWPS advertised the position and have secured Gareth Davies from Merredin as the Operator/Maintainer, commencing in May 2018
- Winter Reserve capacity test is planned for May 2018, and will be undertaken when the new Operator is on site

### 5.1 Overhauls

#### Factored Starts towards the first Combustion Inspection (CI)

	Forecast for Financial Year	Jan	Feb	Mar	YTD	Life to Date	Remaining until CI	Years until CI due
GTG 1	22	1.5	1.5	0	17.4	347.3	452.7	20.6
GTG 2	22	1.5	1.5	1.5	19.2	237.9	562.1	25.6

## 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
- Covers over the Generator rooms are being investigated

## 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**

- Terry Robartson (TWPS) temporarily replaced by Barry Benfell (TWPS), until Gareth Davies commences the full-time position



APPENDIX A: FINANCIAL REPORT

Merredin Energy Holdings Pty Ltd and controlled entity Consolidated Income Statement For the period 01/07/2017 - 31/03/2018												
	QUARTER TO DATE						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	2,290,927	-	-	2,290,927	2,512,169	(221,243)	7,068,344	-	-	7,068,344	7,536,508	(468,165)
Reserve Capacity Refund	(1,228)	-	-	(1,228)	(12,561)	11,333	6,373	-	-	6,373	(37,682)	44,055
Other Revenue	-	-	-	-	5,474	(5,474)	81,346	-	-	81,346	16,421	64,925
<b>Total Revenue</b>	<b>2,289,699</b>	-	-	<b>2,289,699</b>	<b>2,505,082</b>	<b>(215,383)</b>	<b>7,156,062</b>	-	-	<b>7,156,062</b>	<b>7,515,247</b>	<b>(359,184)</b>
Operating Costs	265,050	-	-	265,050	232,863	32,187	636,750	-	-	636,750	698,590	(61,840)
O&M Charges - TWPS	120,134	-	-	120,134	115,000	5,134	424,928	-	-	424,928	345,000	79,928
O&M Charges - other	(46,145)	-	-	(46,145)	62,484	(108,629)	101,630	-	-	101,630	187,451	(85,820)
Insurance	50,798	-	-	50,798	61,065	(10,267)	158,609	-	-	158,609	183,195	(24,586)
Professional fees	8,500	-	-	8,500	8,502	(2)	12,500	-	-	12,500	25,505	(13,005)
Legal Fees	-	-	-	-	5,323	(5,323)	17,298	-	-	17,298	15,970	1,329
Director fees	(13,783)	-	-	(13,783)	9,500	(23,283)	7,539	-	-	7,539	28,500	(20,961)
Consulting	9,313	-	-	9,313	9,147	166	118,833	-	-	118,833	27,441	91,392
All other	161,638	-	-	161,638	124,189	37,448	423,121	-	-	423,121	372,568	50,554
<b>Total Expenses</b>	<b>555,504</b>	-	-	<b>555,504</b>	<b>628,073</b>	<b>(72,569)</b>	<b>1,901,208</b>	-	-	<b>1,901,208</b>	<b>1,884,219</b>	<b>16,990</b>
<b>EBITDA Pre Cyclical Costs</b>	<b>1,734,195</b>	-	-	<b>1,734,195</b>	<b>1,877,009</b>	<b>(142,814)</b>	<b>5,254,854</b>	-	-	<b>5,254,854</b>	<b>5,631,028</b>	<b>(376,174)</b>
<b>Total Cyclical &amp; Non-Cyclical Costs</b>												
<b>EBITDA Post Cyclical Costs</b>	<b>1,734,195</b>	-	-	<b>1,734,195</b>	<b>1,877,009</b>	<b>(142,814)</b>	<b>5,254,854</b>	-	-	<b>5,254,854</b>	<b>5,631,028</b>	<b>(376,174)</b>
<b>Other Income and Expenses</b>												
Depreciation and amortisation	749,387	-	-	749,387	755,526	(6,139)	2,267,663	-	-	2,267,663	2,266,579	1,084
Interest income	5,000	-	-	5,000	5,534	(535)	13,106	-	-	13,106	16,603	(3,498)
Other Gains	-	-	-	-	-	-	2,439,121	-	-	2,439,121	-	2,439,121
Other expenses	933,610	-	-	933,610	617,358	316,252	2,907,704	-	-	2,907,704	1,852,075	1,055,629
<b>EBT</b>	<b>56,198</b>	-	-	<b>56,198</b>	<b>509,659</b>	<b>(453,462)</b>	<b>2,531,715</b>	-	-	<b>2,531,715</b>	<b>1,528,978</b>	<b>1,002,737</b>
Income Tax Expense	-	-	-	-	(279)	279	-	-	-	-	(837)	837
Deferred Tax Expense	16,860	-	-	16,860	154,783	(137,923)	759,515	-	-	759,515	464,348	295,167
<b>Income after tax</b>	<b>39,338</b>	-	-	<b>39,338</b>	<b>355,156</b>	<b>(315,818)</b>	<b>1,772,200</b>	-	-	<b>1,772,200</b>	<b>1,065,467</b>	<b>706,733</b>

Merredin Energy Holdings Pty Ltd and controlled entity Consolidated Balance Sheets As at 31 March 2018						
	ME	MEH	Elimination	Consolidated	Prior Month	30 June 2017
	\$	\$	\$	\$	\$	\$
Cash and cash equivalents	2,286,094	-	-	2,286,094	1,425,559	1,162,256
Accounts Receivable	245,856	-	-	245,856	368,783	726,255
Accrued Income	1,303,780	-	-	1,303,780	1,192,027	333,495
Capitalised Borrowing Costs - Current	655,104	-	-	655,104	602,034	1,185,943
AA Borrowing Costs	(177,833)	-	-	(177,833)	(134,497)	(1,047,780)
Other Receivables	5,000	-	-	5,000	5,000	1,356
Prepayments	158,070	-	-	158,070	151,298	106,018
Inventory	1,037,818	-	-	1,037,818	1,038,343	1,056,971
<b>Total current assets</b>	<b>5,513,888</b>	<b>-</b>	<b>-</b>	<b>5,513,888</b>	<b>4,648,547</b>	<b>3,524,513</b>
Land	204,702	-	-	204,702	204,702	204,702
Plant and Equipment	79,305,744	-	-	79,305,744	79,302,840	79,291,491
Accumulated Depreciation - Plant and Equipment	660	-	-	660	660	660
Furniture and Office Equipment	(19,603,901)	-	-	(19,603,901)	(19,354,074)	(17,336,270)
Accumulated Depreciation - Furniture and Office Equipment	(660)	-	-	(660)	(660)	(628)
Capital WIP	-	-	-	-	-	-
Capitalised Borrowing Costs - Non Current	1,746,344	-	-	1,746,344	1,851,034	-
Bond Deposits on Trusts	130,000	-	-	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	(1,288,788)	3,260,525	-	1,971,738	1,988,598	2,731,253
<b>Total non-current assets</b>	<b>60,494,100</b>	<b>4,260,525</b>	<b>(438,955)</b>	<b>64,315,670</b>	<b>64,684,144</b>	<b>65,582,251</b>
<b>Total Assets</b>	<b>66,007,989</b>	<b>4,260,525</b>	<b>(438,955)</b>	<b>69,829,559</b>	<b>69,332,690</b>	<b>69,106,765</b>
Accounts Payable	20,856	-	-	20,856	46,142	179,964
Accrued Expenses	189,196	-	-	189,196	196,565	237,304
Net GST Payable	184,224	-	-	184,224	(52,628)	52,783
Interest Payable	401,747	-	-	401,747	118,698	86,597
Interest Payable - Advance on Interest	-	-	-	-	-	25,819
Debt Facility - Current	2,640,000	-	-	2,640,000	2,640,000	37,201,988
Derivative Financial Instruments - Current	-	-	-	-	-	1,323,336
Fuel Tax Credit	0	-	-	0	(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	25,903,887	(25,903,887)	-	-	-	-
<b>Total current liabilities</b>	<b>29,424,711</b>	<b>(25,758,620)</b>	<b>(230,068)</b>	<b>3,436,023</b>	<b>2,919,971</b>	<b>39,718,668</b>
Derivative Financial Instruments - Non Current	-	-	-	-	-	3,430,210
Debt Facility - Non Current	40,700,000	-	-	40,700,000	40,700,000	-
Advance on Interest - Non Current	-	-	-	-	-	2,036,551
<b>Total non-current liabilities</b>	<b>40,700,000</b>	<b>-</b>	<b>-</b>	<b>40,700,000</b>	<b>40,700,000</b>	<b>5,466,761</b>
<b>Total Liabilities</b>	<b>70,124,711</b>	<b>(25,758,620)</b>	<b>(230,068)</b>	<b>44,136,023</b>	<b>43,619,971</b>	<b>45,185,428</b>
<b>Net assets</b>	<b>(4,116,722)</b>	<b>30,019,145</b>	<b>(208,888)</b>	<b>25,693,536</b>	<b>25,712,720</b>	<b>23,921,336</b>
Issued Capital - Ordinary Shares	15,000	-	(15,000)	-	-	-
Capital Raise	-	31,147,016	-	31,147,016	31,147,016	31,147,016
Retained Profits	(5,903,922)	(1,127,871)	(193,888)	(7,225,680)	(7,225,680)	(9,444,982)
Current Year Earnings	1,772,200	-	-	1,772,200	1,791,384	2,219,302
<b>Total Equity</b>	<b>(4,116,722)</b>	<b>30,019,145</b>	<b>(208,888)</b>	<b>25,693,536</b>	<b>25,712,720</b>	<b>23,921,336</b>

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