

MERREDIN ENERGY GROUP QUARTERLY REPORT JUNE 2018

Date 18 July 2018

Rev.	Status	Prepared By	Checked By	Approved	Date
0	For issue	PAM Management	D Waterson	J Delicato	18-Jul-2018

1. Executive Summary

	Jun 18 Quarter (000's)				Year to Date (000's)			
	Jun 17		Budget	Budget Variance	Jun 17		Budget	Budget Variance
	Actual	Variance			Actual	Variance		
Revenue	2,276	208	2,505	229	9,432	489	10,020	588
Operating Expenses	691	148	628	63	2,593	282	2,512	80
EBITDA	1,585	60	1,877	292	6,840	207	7,508	668

Financial

- Revenue for the June 2018 quarter and YTD is below budget due to the drop in the Reserve Capacity Price (RCP) reset by AEMO
- Operating expenditure has exceeded budget for the June quarter driven predominately by third party consultants engaged to assist with submissions relating to forecast capacity pricing
- ME Group has been compliant with the Note Trust Deed for the June 2018 quarter and YTD

Operational

- Winter Reserve Capacity Test conducted in May 2018
- Several issues affected GT2 during the Winter Reserve capacity test. TWPS have provided a Root Cause Analysis for these to prevent repeat occurrences
- The spare set of CO2 fire suppression gas bottles were hydrotested, filled and returned to site
- Gareth Davies commenced as full time Operator during 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	3	3	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	100%	100%	100%	
	Maintenance Plan	Maintenance plan compliance	94%	99%	98%	
	Start Reliability	GTG1	75%	88%	95%	
GTG2		38%	59%	90%		
Financial	Capacity Payments	Reserve capacity refunds	0.64%	0.10%	< 2%	
	Within Budget	Merredin Energy expenditure	110%	103%	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 June 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	3	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:

- Safety initiative - large bin on site emptied on a regular basis to mitigate manual handling of medium sized bins
- Safety initiative - testing of CO2 bottles before being refilled
- Safety initiative - investigating a small portable diesel fuel pump to mitigate bucket transfers and manual handling

3. Treasury

3.1 Treasury Analysis

The following treasury analysis is for the ME Group:

- Total cash held by the ME Group at 30 June 2018 totalled \$2.39m

3.2 Delegated Authority

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

3.3 Debt Compliance

ME has been compliant with the Note Trust Deed for the June 2018 quarter. The second repayment under the new facility was made in May 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%	7.09%	7.40%	101.33

Data extracted from FIGG Securities Limited (4 July 2018).

4.3 EBITDA

Jun 18 Quarter (000's)				Year to Date (000's)			
Actual	Jun 17 Variance	Budget	Budget Variance	Actual	Jun 17 Variance	Budget	Budget Variance
1,585	60	1,877	292	6,840	207	7,508	668

Figure 3: ME Consolidated Group Cumulative EBITDA vs Budget

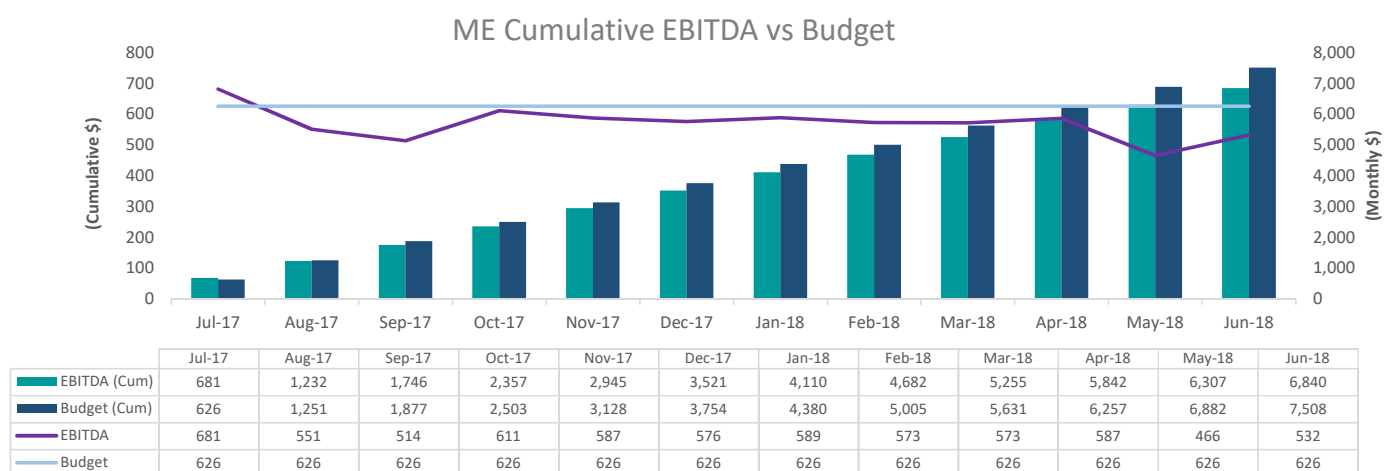
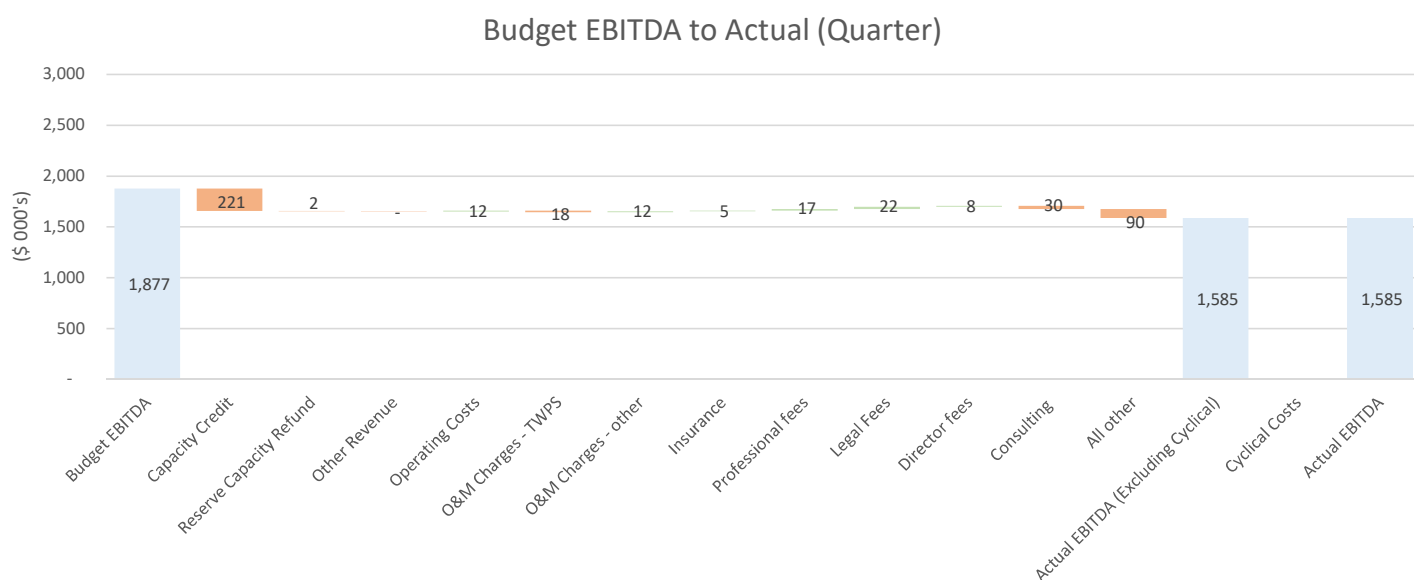


Figure 4: ME Consolidated Group Cumulative EBITDA vs Budget



5. Operational Update

- Winter Reserve Capacity Test was conducted in May 2018. Final results and confirmations provided by AEMO in early July
- Several issues affected GT2 during the Winter Reserve Capacity Test including a failure of an air supply regulator, synchronisation issues, and communication issues with the fuel heater skid. TWPS have provided Root Cause Analysis for these to prevent repeat occurrences
- The spare set of CO2 fire suppression gas bottles were hydrotested, filled and returned to site. Storage location was moved closer to the plant to minimise Forced Outage duration in the event of another discharge
- Gareth Davies commenced as full time site Operator during May 2018. TWPS have conducted hand-over and setup a training plan for further development

5.1 Overhauls

Factored Starts towards the first Combustion Inspection (CI)

	Forecast for Financial Year	April	May	June	YTD	Life to Date	Remaining until CI	Years until CI due
GTG 1	22	0	10.76	0	28.1	358.1	441.9	20.1
GTG 2	22	0	9.88	0	29	247.8	552.2	25.1

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 the second half of 2018
- Covers over the Generator rooms are being investigated
- Relocation of the upper storage containers closer to the workshop 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

- Emissions testing has been conducted. All emissions are within acceptable limits. Next test required in 2022

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

- Gareth Davies has commenced the full-time site Operator

APPENDIX A: FINANCIAL REPORT

Merredin Energy Holdings Pty Ltd and controlled entity												
Consolidated Income Statement												
For the period 01/7/2017 - 30/6/2018												
	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)	9,359,271	-	-	9,359,271	10,048,678	(689,407)
Reserve Capacity Refund	(14,724)	-	-	(14,724)	(12,561)	(2,164)	(8,352)	-	-	(8,352)	(50,243)	41,891
Other Revenue	-	-	-	-	5,474	(5,474)	81,346	-	-	81,346	21,894	59,452
Total Revenue	2,276,203	-	-	2,276,203	2,505,082	(228,880)	9,432,265	-	-	9,432,265	10,020,329	(588,064)
Operating Costs	245,857	-	-	245,857	232,863	12,994	882,607	-	-	882,607	931,453	(48,847)
O&M Charges - TWPS	133,464	-	-	133,464	115,000	18,464	558,391	-	-	558,391	460,000	98,391
O&M Charges - other	50,865	-	-	50,865	62,484	(11,618)	152,496	-	-	152,496	249,935	(97,439)
Insurance	56,019	-	-	56,019	61,065	(5,045)	214,628	-	-	214,628	244,259	(29,631)
Professional fees	5,451	-	-	5,451	18,502	(13,051)	156,353	-	-	156,353	74,007	82,346
Legal Fees	(16,298)	-	-	(16,298)	5,323	(21,621)	1,000	-	-	1,000	21,293	(20,293)
Director fees	1,313	-	-	1,313	9,500	(8,187)	8,853	-	-	8,853	38,000	(29,147)
Consulting	38,829	-	-	38,829	9,147	29,682	157,662	-	-	157,662	36,588	121,074
Management Fees	89,358	-	-	89,358	61,250	28,108	309,430	-	-	309,430	245,000	64,429
Agency and Note Trustee fees	37,575	-	-	37,575	-	37,575	91,813	-	-	91,813	-	91,813
All other	48,861	-	-	48,861	52,939	(4,078)	59,272	-	-	59,272	211,757	(152,485)
Total Expenses	691,295	-	-	691,295	628,073	63,222	2,592,504	-	-	2,592,504	2,512,292	80,212
EBITDA Pre Cyclical Costs	1,584,907	-	-	1,584,907	1,877,009	(292,102)	6,839,761	-	-	6,839,761	7,508,037	(668,276)
Total Cyclical & Non-Cyclical Costs												
EBITDA Post Cyclical Costs	1,584,907	-	-	1,584,907	1,877,009	(292,102)	6,839,761	-	-	6,839,761	7,508,037	(668,276)
Other Income and Expenses												
Depreciation and amortisation	749,629	-	-	749,629	755,526	(5,897)	3,017,291	-	-	3,017,291	3,022,105	(4,814)
Interest income	5,409	-	-	5,409	5,534	(125)	18,515	-	-	18,515	22,138	(3,623)
Other Gains	-	-	-	-	-	-	2,439,121	-	-	2,439,121	-	2,439,121
Other expenses	929,994	-	-	929,994	617,358	312,635	3,837,698	-	-	3,837,698	2,469,433	1,368,265
EBT	(89,306)	-	-	(89,306)	509,659	(598,965)	2,442,409	-	-	2,442,409	2,038,637	403,771
Income Tax Expense	-	-	-	-	(279)	279	-	-	-	-	(1,116)	1,116
Deferred Tax Expense	(79,318)	-	-	(79,318)	154,783	(234,101)	680,197	-	-	680,197	619,131	61,066
Income after tax	(9,988)	-	-	(9,988)	355,156	(365,144)	1,762,212	-	-	1,762,212	1,420,622	341,589

Merredin Energy Holdings Pty Ltd and controlled entity Consolidated Balance Sheets As at 30 June 2018						
	ME	MEH	Elimination	Consolidated	Prior Month	30-Jun-17
	\$	\$	\$	\$	\$	\$
Cash and cash equivalents	2,397,470	-	-	2,397,470	1,950,606	1,162,256
Accounts Receivable	143,416	-	-	143,416	204,880	726,255
Accrued Income	1,396,907	-	-	1,396,907	1,341,030	333,495
Capitalised Borrowing Costs - Current	774,095	-	-	774,095	734,867	1,185,943
AA Borrowing Costs	(296,824)	-	-	(296,824)	(257,596)	(1,047,780)
Other Receivables	6,924	-	-	6,924	6,924	1,356
Prepayments	101,039	-	-	101,039	115,584	106,018
Inventory	1,034,204	-	-	1,034,204	979,654	1,056,971
Total current assets	5,557,230	-	-	5,557,230	5,075,949	3,524,513
Land	204,702	-	-	204,702	204,702	204,702
Plant and Equipment	79,341,639	-	-	79,341,639	79,305,744	79,291,491
Accumulated Depreciation - Plant and Equipment	660	-	-	660	660	660
Furniture and Office Equipment	(20,353,530)	-	-	(20,353,530)	(20,103,558)	(17,336,270)
Accumulated Depreciation - Furniture and Office Equipment	(660)	-	-	(660)	(660)	(628)
Capital WIP	-	-	-	-	-	-
Capitalised Borrowing Costs - Non Current	1,613,570	-	-	1,613,570	1,666,580	-
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	561,045
Deferred Tax Asset	(1,163,564)	3,214,619	-	2,051,056	1,971,738	2,731,253
Total non-current assets	59,772,817	4,214,619	(438,955)	63,548,481	63,736,250	65,582,251
Total Assets	65,330,047	4,214,619	(438,955)	69,105,711	68,812,199	69,106,765
Accounts Payable	77,119	-	-	77,119	89,558	179,964
Accrued Expenses	148,070	-	-	148,070	173,087	237,304
Net GST Payable	146,709	-	-	146,709	110,302	52,783
Interest Payable	400,125	-	-	400,125	139,174	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	(29,859)	-	-	(29,859)	-	-
Advance on Interest - Current	-	-	-	-	-	610,877
Provision for Income Tax	84,801	145,267	(230,068)	-	-	-
Intercompany Loan - Merredin Energy Holdings Pty Ltd	25,949,793	(25,949,793)	-	-	-	-
Total current liabilities	29,416,757	(25,804,526)	(230,068)	3,382,163	3,152,121	39,718,668
Derivative Financial Instruments - Non Current	-	-	-	-	-	3,430,210
Debt Facility - Non Current	40,040,000	-	-	40,040,000	40,040,000	-
Advance on Interest - Non Current	-	-	-	-	-	2,036,551
Total non-current liabilities	40,040,000	-	-	40,040,000	40,040,000	5,466,761
Total Liabilities	69,456,757	(25,804,526)	(230,068)	43,422,163	43,192,121	45,185,428
Net assets	(4,126,710)	30,019,145	(208,888)	25,683,548	25,620,078	23,921,336
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	1,762,212	-	-	1,762,212	1,698,742	2,219,302
Transfers to reserves	(1,762,212)	-	-	(1,762,212)	-	-
Profit reserve	1,762,212	-	-	1,762,212	-	-
Total Equity	(4,126,710)	30,019,145	(208,888)	25,683,548	25,620,078	23,921,336

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