

MERREDIN ENERGY GROUP QUARTERLY REPORT SEPTEMBER 2018

Date 25 October 2018

Rev.	Status	Prepared By	Checked By	Approved	Date
0	For issue	PIMS Management	D Eason	J Delicato	25-Oct-2018

1. Executive Summary

	Sep 18 Quarter (000's)			Year to Date (000's)		
	Actual	Budget	Budget Variance	Actual	Budget	Budget Variance
Revenue	2,284	2,298	14	2,284	2,298	14
Operating Expenses	646	648	2	646	648	2
EBITDA	1,638	1,650	12	1,638	1,650	12

Financial

- Revenue for the September 2018 quarter is in line with budget. The minor variance results from an AEMO constraint adjustment in July 2018
- Operating expenditure for the September 2018 quarter is in line with budget. Additional consulting and O&M costs incurred have been offset by underspends in operating, legal and other expenses for the quarter
- ME Group has been compliant with the Note Trust Deed for the September 2018 quarter

Operational

- GT units had FSNL tests in July and September
- Wiring/electrical issues affecting GT2 were rectified
- The GT2 air compressor suffered a failure due to a faulty sensor and high-pressure oil leak. This has since been repaired
- Outdoor enclosures for the CO2 fire suppression panels have been ordered
- Summer Reserve capacity test is planned for November 2018 to coincide with the site audit schedule

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	n/a	
	Legislative Compliance	Infringement notices received	0	0	0	
		Fines issued	0	0	0	
	Maintenance Plan	Maintenance plan compliance ¹	96%	96%	98%	
	Availability	GTG1	99.9%	99.9%	95%	
GTG2		99.5%	99.5%	90%		
Financial	Capacity Payments	Reserve capacity refunds	0.25%	0.25%	< 2%	
	Within Budget	Merredin Energy expenditure	100%	100%	100%	
Reporting to Management	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

¹Several maintenance tasks have been rescheduled during the quarter and scheduled to catch up during December quarter

2. Safety

Safety statistics for September 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	3	n/a	
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:

- The indicators on the safety showers need to show a high level of water and not just be in the middle of the range in order for the eyewash station to function
- The hydrocarbon spill kit in the fuel unloading zone had blown open during a storm and had filled with water, spoiling the absorbent contents
- During site rounds it was observed that there was a void developing in the gravel near the concrete pad beside GT1

3. Treasury

3.1 Treasury Analysis

The following treasury analysis is provided as follows:

- Total cash held by the ME Group at 30 September 2018 is \$2.83M

3.2 Delegated Authority

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

3.3 Debt Compliance

ME has been compliant with the Note Trust Deed for the September 2018 quarter. The most recent repayment was made in August 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%	7.02%	7.39%	101.49

Data extracted from FIIG Securities Limited (17 October 2018)

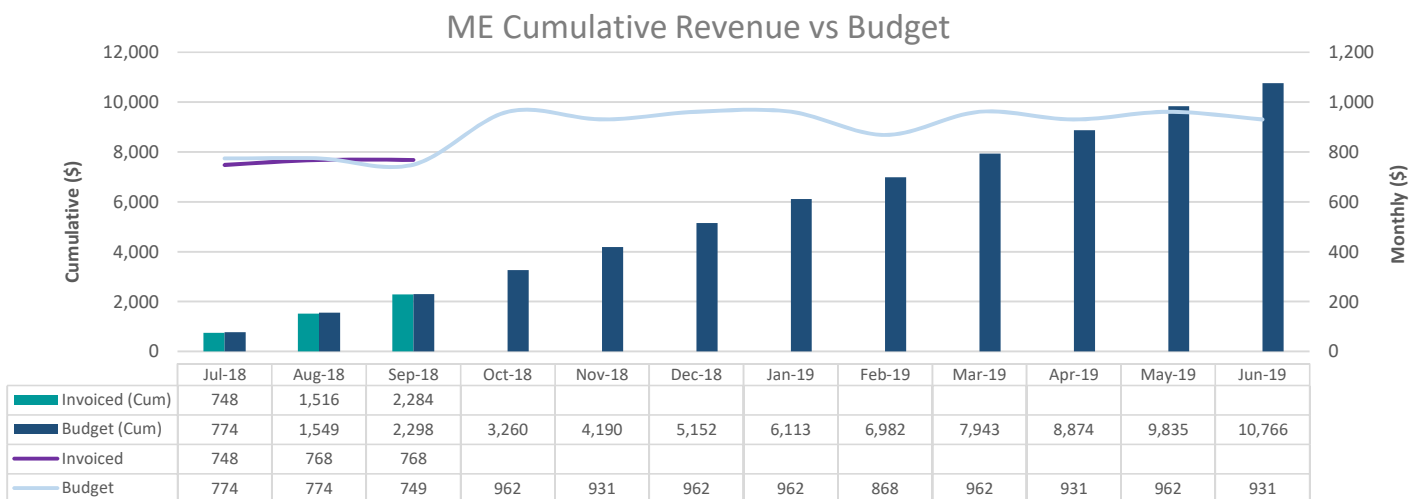
4. Finances

4.1 Revenue

Sep 18 Quarter (000's)			Year to Date (000's)		
Actual	Budget	Budget Variance	Actual	Budget	Budget Variance
2,284	2,298	14	2,284	2,298	14

- Revenue for the September quarter is in line with budget with a minor variance noted resulting from an AEMO Constrained Off Compensation adjustment in July 2018
- The RCP reset on 1 October 2018. The RCP for the remainder of FY2019 is \$138,760.39/MW (previously \$111,752.53/MW)

Figure 1: ME Consolidated Group Cumulative Revenue vs Budget

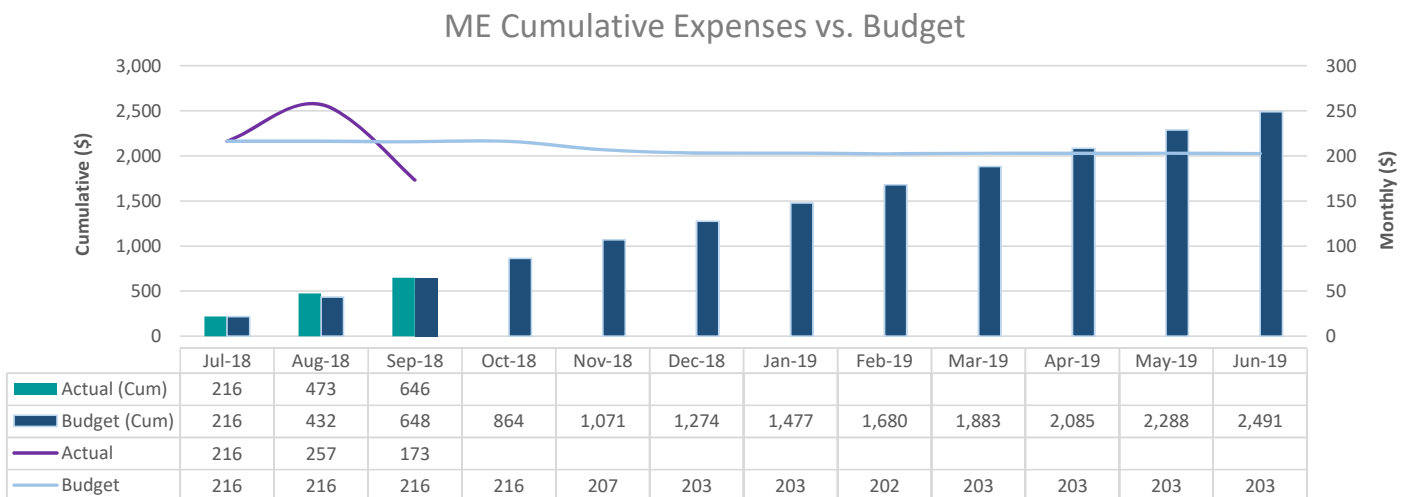


4.2 Expenses

Sep 18 Quarter (000's)			Year to Date (000's)		
Actual	Budget	Budget Variance	Actual	Budget	Budget Variance
646	648	2	646	648	2

- Overall operating expenditure for the September 2018 quarter is in line with budget
- O&M Costs have been above budget for the September quarter driven by requirements to complete transformer and generator testing
- Consulting costs are also above budget for the quarter as a result of GE Power advisory support
- The above budget costs are offset by underspends in other operational costs, legal support and all other expenses during the quarter

Figure 2: ME Consolidated Group Cumulative Expenses vs Budget



4.3 EBITDA

Sep 18 Quarter (000's)			Year to Date (000's)		
Actual	Budget	Budget Variance	Actual	Budget	Budget Variance
1,638	1,650	12	1,638	1,650	12

Figure 3: ME Consolidated Group Cumulative EBITDA vs Budget

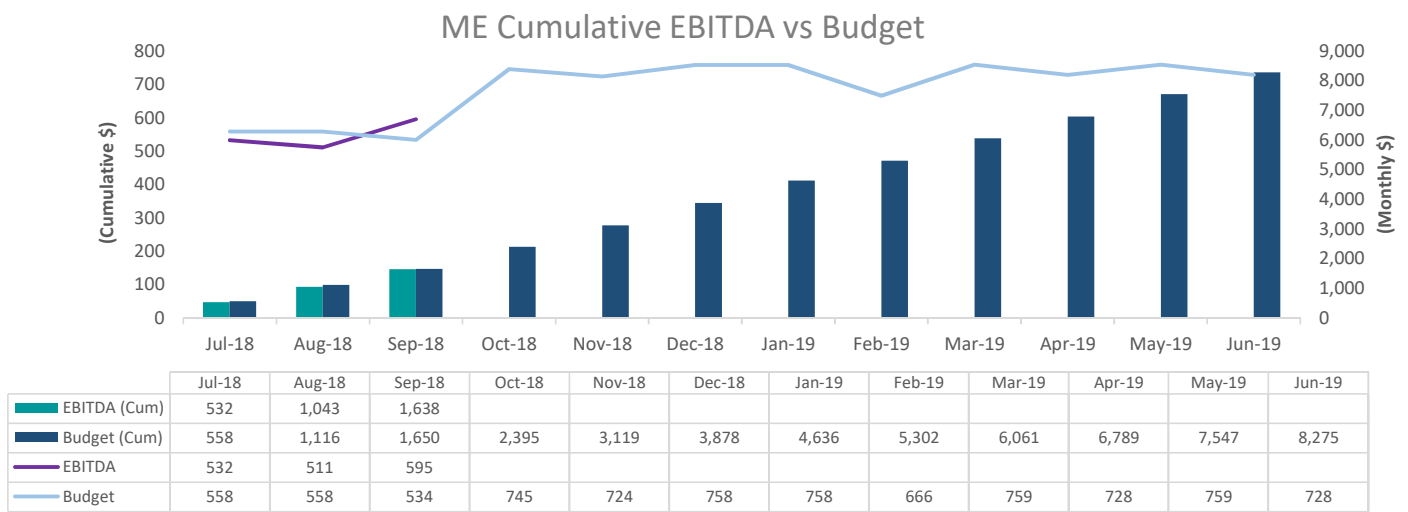
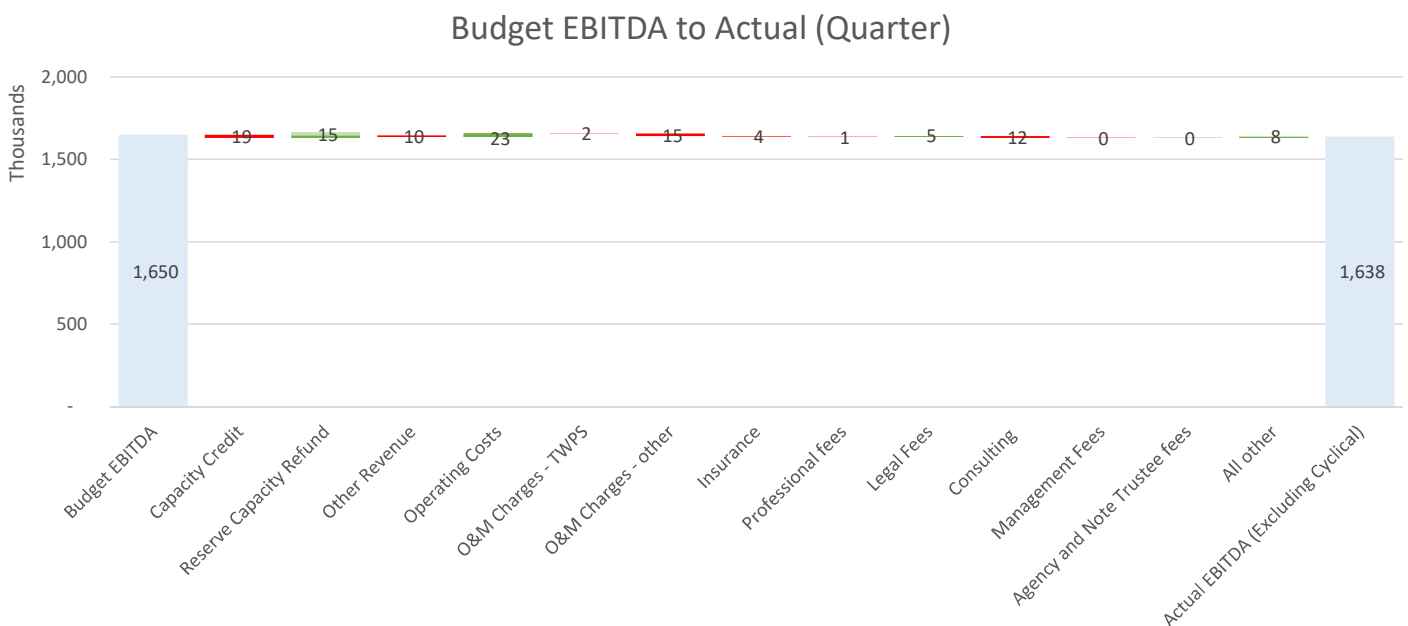


Figure 4: ME Consolidated Group Cumulative EBITDA vs Budget



5. Operational Update

- GT units had two FSNL tests in July and one in September. GT2 has one failed start in September. GT1 will be subject to FSNL test every second month, GT2 will continue to be tested every month until start reliability can be assured
- Wiring/electrical issues affecting GT2 were rectified, no further electrical issues regarding CAT engine control were observed. TWPS are working to provide the CAT engine with constant power to assist with problem diagnosis
- The GT2 air compressor suffered a failure due to a faulty sensor and high-pressure oil leak. The oil leak repair to this unit was also applied to GT1 to minimise the likelihood of occurrence on this unit. PM schedules for these components have been adjusted accordingly
- Outdoor enclosures for the CO2 fire suppression panels have been ordered. Gareth Davies will commence the process of enclosing this equipment to protect it from the weather and reduce the likelihood of accidental discharge

5.1 Overhauls

Factored Starts towards the first Combustion Inspection (CI)

	Forecast for Financial Year	July	August	September	YTD	Life to Date	Remaining until CI	Years until CI due
GTG 1	22	5.68	0	1.5	7.2	365.2	434.8	19.8
GTG 2	22	5.68	0	1.5	7.2	255.0	545.0	24.8

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 the second half of 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. ME to conduct Asset Management Workshop with TWPS to refine PMs as necessary

7.2 Health Safety and Environment

- Annual Environmental Report and NPI Report completed. Zero non-conformances

7.3 Maintenance CAPEX

- Covers over the generator enclosures are under investigation to provide protection for this equipment from the elements

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

- None to report

APPENDIX A: FINANCIAL REPORT

Merredin Energy Holdings Pty Ltd and controlled entity						
Consolidated Income Statement						
For the period 01/7/2018 - 30/9/2018						
	YEAR TO DATE					
	ME	MEH	Cons. Adj	Consolidated	Consolidated Budget	Over/Under Budget
	\$	\$	\$	\$	\$	\$
Capacity Credit	2,290,927	-	-	2,290,927	2,309,669	(18,742)
Reserve Capacity Refund	3,747	-	-	3,747	(11,548)	15,295
Other Revenue	(10,323)	-	-	(10,323)	-	(10,323)
Total Revenue	2,284,351	-	-	2,284,351	2,298,121	(13,770)
Operating Costs	233,703	-	-	233,703	256,584	(22,881)
O&M Charges - TWPS	129,958	-	-	129,958	127,500	2,458
O&M Charges - Other	42,103	-	-	42,103	27,250	14,853
Insurance	52,978	-	-	52,978	48,868	4,110
Professional Fees	18,392	-	-	18,392	17,500	892
Legal Fees	-	-	-	-	5,000	(5,000)
Consulting	43,653	-	-	43,653	32,000	11,653
Management Fees	69,735	-	-	69,735	69,353	383
Agency and Note Trustee Fees	37,163	-	-	37,163	37,384	(221)
All Other	18,641	-	-	18,641	26,752	(8,111)
Total Expenses	646,325	-	-	646,325	648,190	(1,865)
EBITDA Pre Cyclical Costs	1,638,026	-	-	1,638,026	1,649,931	(11,905)
Total Cyclical & Non-Cyclical Costs						
EBITDA Post Cyclical Costs	1,638,026	-	-	1,638,026	1,649,931	(11,905)
Other Income and Expenses						
Depreciation and Amortisation	750,561	-	-	750,561	751,840	(1,279)
Interest Income	6,331	-	-	6,331	4,269	2,062
Interest Expense	914,610	-	-	914,610	912,758	1,852
EBT	(20,814)	-	-	(20,814)	(10,398)	(10,417)
Income Tax Expense	-	-	-	-	-	-
Deferred Tax Expense	-	-	-	-	-	-
Income after tax	(20,814)	-	-	(20,814)	(10,398)	(10,417)

Merredin Energy Holdings Pty Ltd and controlled entity Consolidated Balance Sheets As at 30 September 2018					
	ME	MEH	Elimination	30-Sep-18	30-Jun-18
	\$	\$	\$	\$	\$
Cash and cash equivalents	2,834,297	-	-	2,834,297	2,397,470
Accounts Receivable	-	-	-	-	143,416
Accrued Income	1,527,285	-	-	1,527,285	1,396,907
Capitalised Borrowing Costs - Current	894,394	-	-	894,394	774,095
AA Borrowing Costs	(417,122)	-	-	(417,122)	(296,824)
Other Receivables	6,073	-	-	6,073	6,924
Prepayments	38,026	-	-	38,026	101,039
Inventory	1,056,788	-	-	1,056,788	1,034,204
Total current assets	5,939,742	-	-	5,939,742	5,557,230
Land	204,702	-	-	204,702	204,702
Plant and Equipment	79,341,639	-	-	79,341,639	79,341,639
Acc Depn - Plant and Equipment	(21,104,091)	-	-	(21,104,091)	(20,353,530)
Capitalised Borrowing Costs - Non Current	1,493,271	-	-	1,493,271	1,613,570
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	(1,163,564)	2,994,359	-	1,830,796	1,830,796
Total non-current assets	58,901,957	3,994,359	(438,955)	62,457,361	63,328,221
Total Assets	64,841,699	3,994,359	(438,955)	68,397,103	68,885,451
Accounts Payable	57,350	-	-	57,350	77,119
Accrued Expenses	341,227	-	-	341,227	148,070
Net GST Payable	171,782	-	-	171,782	146,709
Interest Payable	393,938	-	-	393,938	400,125
Debt Facility - Current	2,640,000	-	-	2,640,000	2,640,000
Fuel Tax Credit	(29,667)	-	-	(29,667)	(29,859)
Provision for Income Tax	84,801	145,267	(230,068)	-	-
Intercompany Loan - MEH	25,949,793	(25,949,793)	-	-	-
Total current liabilities	29,609,223	(25,804,526)	(230,068)	3,574,629	3,382,163
Debt Facility - Non Current	39,380,000	-	-	39,380,000	40,040,000
Total non-current liabilities	39,380,000	-	-	39,380,000	40,040,000
Total Liabilities	68,989,223	(25,804,526)	(230,068)	42,954,629	43,422,163
Net assets	(4,147,524)	29,798,885	(208,888)	25,442,474	25,463,288
Issued Capital - Ordinary Shares	15,000	-	(15,000)	-	-
Capital Raise	-	31,147,016	-	31,147,016	31,147,016
Retained Profits	(5,903,922)	(1,348,131)	(193,888)	(7,445,940)	(7,225,680)
Current Year Earnings	(20,814)	-	-	(20,814)	1,541,952
Transfers to reserves	-	-	-	-	(1,762,212)
Profit reserve	1,762,212	-	-	1,762,212	1,762,212
Total Equity	(4,147,524)	29,798,885	(208,888)	25,442,474	25,463,288

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