



PACIFICENERGY

Pacific Energy Limited (PEA)

22 009 191 744

Appendix 4D – Half Year Report for six months ended 31 December 2012

1. Details of reporting periods:

Current reporting period : Six (6) months to 31 December 2012
Previous corresponding period : Six (6) months to 31 December 2011

2. Results for announcement to the market:

	Six Months 31 December 2012 \$'000	Six Months 31 December 2011 \$'000	% Change
Revenues	18,639	15,589	20%
Profit/(loss) after tax	3,372	2,789	21%
Profit/(loss) after tax attributable to members.	3,372	2,789	21%
Adjusted profit /(loss) after tax attributable to members. ¹	6,537	5,047	16%

¹ Adjusted profit / (loss) after tax equates to the reported net profit / (loss) after tax pre non-cash amortisation charges, non-cash employee share and option expense, asset sale gains and the related tax effect.

Commentary on the above figures is included in the accompanying ASX Announcement and the attached Interim Financial Report for the half year ended 31 December 2012.

Amount per security and franked amount per security of final and interim dividend.	No dividends have been paid or provided for during the period.
Record date for determining entitlements to the dividends and payment date.	Not applicable.

3. Statement of comprehensive income

Refer to attached Interim Financial Report for the half year ended 31 December 2012.

4. Statement of financial position

Refer to attached Interim Financial Report for the half year ended 31 December 2012.

This Appendix 4D Half Year Report is provided to the ASX under Listing Rule 4.3B and should be read in conjunction with the accompanying Interim Financial Report for the half year ended 31 December 2012.

5. **Statement of cash flows**
Refer to attached Interim Financial Report for the half year ended 31 December 2012.
6. **Dividend payments**
No dividends were declared during the period.
7. **Dividend reinvestment plans**
Not applicable.
8. **Statement of changes in equity**
Refer to attached Interim Financial Report for the half year ended 31 December 2012.
9. **Net tangible assets per security**

	31 December 2012 Cents	30 June 2012 Cents
Net tangible assets per ordinary security	22.1	20.0

10. **Gain or loss of control over entities**
Refer to attached Interim Financial Report for the half year ended 31 December 2012.
11. **Associates and joint ventures**
Not applicable.
12. **Other significant information**
Not applicable.
13. **Foreign entities**
Not applicable.
14. **Status of audit**
The Interim Financial Report for the half year ended 31 December 2012 has been audit reviewed and is not subject to dispute or qualification.



PACIFIC ENERGY LIMITED
ABN 22 009 191 744

**INTERIM FINANCIAL REPORT
FOR THE HALF YEAR ENDED**

31 DECEMBER 2012

Directors

Mr M Cliff Lawrenson
Non-Executive Chairman

Mr Adam H Boyd
Chief Executive Officer & Managing Director

Mr Kenneth J Hall
Executive Director

Mr A Stuart Foster
Non-Executive Director

Mr Louis I Rozman
Non-Executive Director

Mr Gregory A Dick
Alternate Director for Mr Louis I Rozman

Company Secretary

Ms Adela Ciupryk

Registered & Principal Office

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Auditor

Crowe Horwath Perth
Level 6, 256 St Georges Terrace
PERTH WA 6000
AUSTRALIA

Bankers

Australian & New Zealand Banking Group Limited
77 St Georges Terrace
PERTH WA 6000
AUSTRALIA

Commonwealth Bank of Australia Limited
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PERTH WA 6000
AUSTRALIA

National Australia Bank
100 St Georges Terrace
PERTH WA 6000
AUSTRALIA

Solicitor

Hardy Bowen
Level 1, 28 Ord Street
WEST PERTH WA 6872
AUSTRALIA

Stock Exchange Listing

Australian Securities Exchange
ASX Code: PEA



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Directors' Report



The directors present their report together with the consolidated financial report for the six months ended 31 December 2012 and the review report thereon.

Directors

The directors of the company at any time during or since the end of the interim period are:

Mr M Cliff Lawrenson	Non-Executive Chairman
Mr Adam H Boyd	Chief Executive Officer & Managing Director
Mr Kenneth J Hall	Executive Director
Mr A Stuart Foster	Non-Executive Director
Mr Louis I Rozman	Non-Executive Director
Mr Gregory A Dick	Alternate Director for Mr Louis I Rozman

Unless otherwise disclosed, all directors held their office from 1 July 2012 until the date of this report.

Review of Financial Operations

Profit and earnings per share

Consolidated entity (or Group) net profit after tax for the six month period ended 31 December 2012 was \$3.4 million, compared with a net profit after tax of \$2.8 million during the previous six month period to 31 December 2011.

Based on 354,409,677 weighted average shares on issue during the six month period to 31 December 2012, the result as detailed in these financial statements represents a basic profit of 0.95 cents per share (31 December 2011 – profit of 0.79 cents per share).

Adjusted profit after tax¹

The Group's reported net profit after tax is inclusive of non-cash and "one-off" charges associated with:

- The amortisation charge of electricity supply contracts acquired in the KPS Acquisition;
- The expense associated with the issue of employee options and share plan arrangements; and
- The profit on sale of property, plant and equipment, net of tax.

The adjusted net profit after tax pre these adjustments is \$6.5 million compared to \$5.6 million during the six month period to 31 December 2011. Details of adjustments and a comparison to the six month period to 31 December 2011 are as follows:

	6 month period to 31 December 2012 \$'000	6 month period to 31 December 2011 \$'000
Profit after tax attributable to members	3,372	2,789
Add back non-cash charges and one-off items:		
Amortisation - purchased contracts and associated rights	2,440	2,437
Employee share and option expense	725	397
Profit on sale of investments and property, plant and equipment	-	(1)
Adjusted profit after tax attributable to members¹	6,537	5,622

¹Adjusted profit after tax equates to the reported net profit after tax pre non-cash amortisation charges, non-cash employee share and option expense, asset sale gains and the related tax effect.

Directors' Report



Review of Financial Operations (continued)

The table below provides a comparison of the key results for the six month period ended 31 December 2012 as reported, against the six month period ended 31 December 2011.

Comprehensive Income Statement	% Change	6 month period to 31 December 2012 \$'000	6 month period to 31 December 2011 \$'000
Revenue from operations	20%	18,639	15,589
EBITDA pre asset sale gains (refer Note 6) and employee share and option expense	19%	12,610	10,626
EBITDA	16%	11,885	10,230
Reported profit after tax attributable to members	21%	3,372	2,789
Adjusted profit after tax attributable to members¹	16%	6,537	5,622

¹Adjusted profit after tax equates to the reported net profit after tax pre non-cash amortisation charges, non-cash employee share and option expense, asset sale gains and the related tax effect.

EBITDA performance

Group reported EBITDA for the six months ended 31 December 2012 of \$11.9 million was 16% higher than \$10.2 million EBITDA as reported for the six months to 31 December 2011. The increase in EBITDA was due to increased revenues arising from earnings contributions from the KPS power stations commissioned during the period. The new power station capacity commissioned during the period comprised:

- The remaining 15MW of the 20MW power station at the DeGrussa Copper-Gold Project. This incremental generation capacity commenced electricity supply on 1 September 2012;
- The 9MW Nullagine power station. This power station commenced electricity supply on 1 October 2012; and
- The 12MW Garden Well power station. This power station commenced electricity supply on 1 September 2012.

Review of Operations

Power Generation Activities

Kalgoorlie Power Systems

Pacific Energy's core business is Kalgoorlie Power Systems (KPS). The KPS business builds, owns and maintains diesel, gas and dual fuelled power stations located at mine sites across Western Australia, Northern Territory and South Australia. The total contracted generation capacity of the KPS business now exceeds 240MW.

During the period, KPS constructed and commissioned in excess of 45MW of new generation capacity comprising:

- The remaining 15MW of the 20MW DeGrussa power station to supply electricity to the DeGrussa Copper-Gold Project for Sandfire Resources Limited;
- The 12MW Garden Well power station to supply electricity to the Garden Well Gold Project for Regis Resources Limited;
- The 9MW Nullagine power station to supply electricity to the Nullagine Gold Project for Millenium Minerals NL;
- The 8MW Meekatharra power station to supply electricity to the Meekatharra Gold Project for Reed Resources Limited; and
- The 1MW expansion of the existing 4MW power station at the Mt Weld Rare Earths Project for Lynas Corporation Limited.

KPS secured arrangements for the installation of a new power station for Doray Minerals Limited to provide a 3.5MW power station at the Andy Well Gold Project (5-year contract) located in the Murchison Region of Western Australia (commissioning scheduled in August 2013).

During the period, Xstrata sought a reduction in contracted/installed capacity at the Cosmos and Sinclair Nickel Mine power stations. The Cosmos Nickel Mine has been placed into a Care and Maintenance phase pending the outcome of a significant operational expansion study. The installed capacity of these power stations was reduced by 7MW to 12MW commencing in September 2012.

Review of Operations (continued)

Kalgoorlie Power Systems (continued)

KPS also secured contract extensions for the following existing KPS power stations:

- A 12-month extension to the contract with Newmont Tanami Pty Ltd for the 13MW power station located at the Granites milling operations and the 20MW power station located at the Dead Bullock Soak mine in the Northern Territory;
- A 30-month extension to the contract with Xstrata Nickel Australasia Operations Pty Ltd for the 7MW power station located at the Cosmos Nickel Project in Western Australia; and
- A 3-month extension to the contract with Saracen Mineral Holdings Limited for the 10MW power station located at the Carosue Dam Gold Project in Western Australia.

These mining operations the subject of electricity supply contract extensions are all undergoing Life of Mine extension studies and KPS anticipates further significant contract term extensions and/or capacity expansions of these contracts in the coming 12-months.

KPS advanced procurement, engineering and construction activities for approximately 50MW of power station capacity scheduled for completion during 2013:

- The 44MW Tropicana power station to supply electricity to the Tropicana Joint Venture Gold Project for AngloGold Ashanti Australia Limited;
- The equipment required to retro-fit the KPS exclusive waste heat recovery technology to the Moolart Well and Garden Well power stations for Regis Resources Limited; and
- The 3.5MW Andy Well power station to supply electricity to the Andy Well Gold Project for Doray Minerals Limited.

The company continues to progress electricity supply contract negotiations with a number of companies developing or operating mining and resource project opportunities. A number of these negotiations are well advanced and Pacific Energy expects some of these negotiations to result in the signing of new and/or expanded electricity supply contracts during the remaining months of the financial year ended 30 June 2013.

The company's business development activities have also focused on the consideration of opportunities to expand Pacific Energy group activities in the energy infrastructure supply area. We are continuing to advance these opportunities and hope to update shareholders should any new developments crystallise into commercial arrangements.

Other Developments

The company completed a restructure of the KPS credit facilities with Commonwealth Bank of Australia during the period. The restructure has secured an increase in the term debt facility limit from \$23.3 million to \$45 million which is available to be drawn until September 2013 in addition to a new \$10 million working capital facility.

The incremental \$31.7 million in available credit and forecast cash flow to be generated by KPS over the coming 12 months will provide sufficient funding to complete construction and commissioning of the 50MW of contracted power generation capacity to be completed in 2013, the construction of the new KPS workshop to be located in Perth, and provide funding flexibility for future capacity growth.

Victorian Hydro operations

Pacific Energy's Victorian hydro power station assets achieved similar utilisation to the previous corresponding period. Renewable electricity generation from the Blue Rock Dam and Cardinia Reservoir hydro power stations generated 4.3 GWh and 7.4 GWh during the six month period respectively.

Lead Auditor's Independence Declaration

The lead auditor's independence declaration under section 307C of the *Corporations Act 2001* is set out on page 5 and forms part of the directors' report for the six months ended 31 December 2012.

Directors' Report



Rounding Off

The company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the financial report and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Signed in accordance with a resolution of the directors.

A handwritten signature in black ink, appearing to read "Adam Boyd".

Adam Boyd

Chief Executive Officer & Managing Director

Dated at Perth this 14th day of February 2013.

Lead Auditor's Independence Declaration



AUDITOR'S INDEPENDENCE DECLARATION

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Pacific Energy Ltd for the half-year ended 31 December 2012, I declare that, to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

A handwritten signature in cursive script that reads "Crowe Horwath Perth".

CROWE HORWATH PERTH

A handwritten signature in cursive script that reads "Sean McGurk".

SEAN MCGURK
Partner

Signed at Perth, 14 February 2013

Consolidated Interim Statement of Comprehensive Income



For the six months ended 31 December 2012

<i>In thousands of AUD</i>	<i>Notes</i>	31 December 2012	31 December 2011
Revenue		18,639	15,589
Other income / (expense)	6	108	(3)
Consumables and spare parts used		(1,362)	(1,186)
Employee benefits expense		(3,674)	(2,726)
Other expenses		(1,826)	(1,444)
Earnings before interest, tax, depreciation and amortisation		11,885	10,230
Depreciation and amortisation		(5,751)	(5,218)
Results from operating activities		6,134	5,012
Financial income		112	247
Financial expenses		(1,084)	(905)
Net financing expense		(972)	(658)
Profit before income tax		5,162	4,354
Income tax expense		(1,790)	(1,565)
Profit for the period		3,372	2,789
Other comprehensive income			
Foreign currency translation differences for foreign operations		2	100
Effective portion of changes in fair value of cash flow hedges, net of tax		11	(31)
Other comprehensive profit for the period, net of income tax		13	69
Total comprehensive profit for the period		3,385	2,858
Earnings per share			
Basic earnings per share (cents)		0.95	0.79
Diluted earnings per share (cents)		0.95	0.79

The condensed notes on pages 11 to 14 are an integral part of these consolidated interim financial statements.

Consolidated Interim Statement of Financial Position



As at 31 December 2012

<i>In thousands of AUD</i>	<i>Notes</i>	31 December 2012	30 June 2012
Assets			
Cash and cash equivalents		9,178	7,525
Trade and other receivables		6,531	4,828
Inventory		708	686
Total current assets		16,417	13,039
Cash and cash equivalents		103	103
Trade and other receivables		88	88
Property, plant and equipment		107,116	94,519
Intangible assets		34,054	36,449
Total non-current assets		141,361	131,159
Total assets		157,778	144,198
Liabilities			
Trade and other payables		3,054	2,820
Employee benefits		269	275
Derivative financial instruments		3	14
Provisions		858	724
Current tax liabilities		3,729	1,936
Loans and borrowings	7	4,246	4,119
Total current liabilities		12,159	9,888
Loans and borrowings	7	30,154	25,015
Provisions		826	720
Employee benefits		187	212
Deferred tax liability		7,843	7,846
Total non-current liabilities		39,010	33,793
Total liabilities		51,169	43,681
Net assets		106,609	100,517
Equity			
Share capital	8	105,486	102,493
Reserves		176	654
Retained earnings/(accumulated loss)		947	(2,630)
Total equity		106,609	100,517

The condensed notes on pages 11 to 14 are an integral part of these consolidated interim financial statements.

Consolidated Interim Statement of Changes in Equity



For the six months ended 31 December 2012

<i>In thousands of AUD</i>	Share capital	Translation reserve	Hedging reserve	Option reserve	Retained earnings	Total equity
Balance at 1 July 2012	102,493	(1,255)	(14)	1,924	(2,631)	100,517
Total comprehensive income for the period						
Profit for the period	-	-	-	-	3,372	3,372
Foreign currency translation differences	-	2	-	-	-	2
Effective portion of change in fair value of cash flow hedge, net of tax	-	-	11	-	-	11
Total other comprehensive income	-	2	11	-	-	13
Total comprehensive income for the period	-	2	11	-	3,372	3,385
Transactions with owners, recorded directly in equity						
Contributions by and distributions to owners						
Issue of ordinary shares, related to employee share scheme, net of transaction costs and tax	171	-	-	-	-	171
Issue of ordinary shares upon exercise of options, net of transaction costs and tax	2,822	-	-	(837)	-	1,985
Equity settled share based payment transactions	-	-	-	551	-	551
Share options lapsed	-	-	-	(206)	206	-
Total transactions with owners	2,993	-	-	(492)	206	2,707
Balance at 31 December 2012	105,486	(1,253)	(3)	1,432	947	106,609

The condensed notes on pages 11 to 14 are an integral part of these consolidated interim financial statements.

Consolidated Interim Statement of Changes in Equity



For the six months ended 31 December 2011

<i>In thousands of AUD</i>	Share capital	Translation reserve	Hedging reserve	Option reserve	Retained earnings	Total equity
Balance at 1 July 2011	100,288	(1,336)	45	1,868	(4,151)	96,714
Total comprehensive income for the period						
Profit for the period	-	-	-	-	2,789	2,789
Foreign currency translation differences	-	100	-	-	-	100
Effective portion of change in fair value of cash flow hedge, net of tax	-	-	(31)	-	-	(31)
Total other comprehensive income	-	100	(31)	-	-	69
Total comprehensive income for the period	-	100	(31)	-	2,789	2,858
Transactions with owners, recorded directly in equity						
Contributions by and distributions to owners						
Issue of ordinary shares related to deferred consideration payment for KPS Acquisition, net of transaction costs and tax	1,995	-	-	-	-	1,995
Issue of ordinary shares, net of transaction costs and tax	100	-	-	-	-	100
Issue of ordinary shares upon exercise of options, net of transaction costs and tax	111	-	-	(37)	-	74
Equity settled share based payment transactions	-	-	-	296	-	296
Share options lapsed	-	-	-	(94)	94	-
Total transactions with owners	2,206	-	-	165	94	2,465
Balance at 31 December 2011	102,494	(1,236)	14	2,033	(1,268)	102,037

The condensed notes on pages 11 to 14 are an integral part of these consolidated interim financial statements.

Consolidated Interim Statement of Cash Flows



For the six months ended 31 December 2012

<i>In thousands of AUD</i>	31 December 2012	31 December 2011
Cash flows from operating activities		
Receipts from customers	17,045	14,923
Payments to suppliers and employees	(5,970)	(2,633)
Interest received	111	247
Interest paid	(961)	(739)
Net cash from operating activities	10,225	11,798
Cash flows from investing activities		
Purchase of property, plant and equipment	(15,698)	(8,166)
Proceeds from the sale of property, plant and equipment	5	9
SpiritWest development and close-out costs	-	(7)
Payments relating to new electricity supply contracts	(45)	(54)
Final consideration for the acquisition of the KPS business	-	(1,167)
Net cash used in investing activities	(15,738)	(9,385)
Cash flows from financing activities		
Proceeds from issue of shares	1,985	75
Payment of transaction costs	(298)	(125)
Cash held in bank debt service reserve account	-	2,744
Proceeds from borrowings	7,500	1,378
Repayments of borrowings	(2,023)	(2,607)
Net cash provided by financing activities	7,164	1,465
Net increase in cash and cash equivalents	1,651	3,878
Cash and cash equivalents at the beginning of the period	7,525	9,368
Effect of exchange rate fluctuations on cash held	2	84
Current cash and cash equivalents at the end of the period	9,178	13,330

The condensed notes on pages 11 to 14 are an integral part of these consolidated interim financial statements.

Condensed Notes to the Consolidated Interim Financial Statements

For the six months ended 31 December 2012

1. Reporting Entity

Pacific Energy Limited (the “company”) is a company domiciled in Australia. The consolidated interim financial report of the company as at and for the six months ended 31 December 2012 comprises the company and its subsidiaries (together referred to as the “Group”).

The consolidated annual financial report of the Group for the year ended 30 June 2012 is available upon request from the company’s registered office at Level 9, 37 St Georges Terrace, Perth WA 6000, Australia.

2. Statement of Compliance

The half-year financial report is a general purpose financial report prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The half-year report does not include notes of the type normally included in an annual financial report, and should be read in conjunction with the most recent annual financial report.

3. Significant Accounting Policies

Basis of preparation

The condensed consolidated financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

All amounts are presented in Australian dollars, unless otherwise noted. The company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with the Class Order, amounts in the financial report have been rounded off to the nearest thousand dollars, unless otherwise stated.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the company’s financial report for the year ended 30 June 2012, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

The adoption of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) has not resulted in any changes to the company’s accounting policies and has no effect on the accounts reported in the current and prior periods.

4. Estimates

The preparation of interim financial reports requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this consolidated interim financial report, the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation of uncertainty were the same as those that applied to the consolidated financial report for the year ended 30 June 2012.

5. Operating Segments

The Group has one reportable segment, KPS Power Generation, which includes the generation of electricity by diesel, gas and dual-fuelled generators located at a number of mine sites across WA, NT and SA. This is the Group’s sole strategic business unit, and the Group’s CEO reviews internal management reports for the strategic business unit on at least a quarterly basis.

Other operations include Hydro Power Generation which does not meet any of the quantitative thresholds for determining reportable segments at 31 December 2012.

Condensed Notes to the Consolidated Interim Financial Statements

For the six months ended 31 December 2012

5. Operating Segments (continued)

Information regarding the results of each reportable segment is included below. Performance is measured based on segment earnings before interest, income tax, depreciation and amortisation and net cash flows, as included in the internal management reports that are reviewed by the Group's CEO.

Segment earnings before interest, income tax, depreciation and amortisation and net cash flows are used to measure performance, as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

Information about reportable segments

<i>In thousands of AUD</i>	KPS Power Generation		Other		Total	
	31 Dec 2012	31 Dec 2011	31 Dec 2012	31 Dec 2011	31 Dec 2012	31 Dec 2011
External revenues	18,182	14,946	457	643	18,639	15,589
Interest income	47	164	8	17	55	181
Interest expense	(961)	(739)	-	-	(961)	(739)
Depreciation and amortisation	(5,595)	(5,064)	(141)	(141)	(5,736)	(5,205)
Reportable segment profit before income tax	6,579	5,152	223	345	6,802	5,497
Income tax expense	(2,072)	(1,669)	(67)	(103)	(2,139)	(1,772)
Reportable segment assets	147,592	122,407	4,787	3,484	152,379	125,891
Reportable segment liabilities	46,867	28,210	751	812	47,618	29,022
Capital expenditure	15,908	8,272	-	-	15,908	8,272

Reconciliations of reportable segment revenues, profit or loss, assets and liabilities and other material items

<i>In thousands of AUD</i>	31 December 2012	31 December 2011
Revenues		
Total revenue for reportable segments	18,639	15,589
Other revenue	8,143	7,077
Elimination of inter-segment revenue	(8,143)	(7,077)
Consolidated revenue	18,639	15,589
Profit or loss		
Total profit or loss for reportable segments	6,802	5,497
Other profit or loss	(1,640)	(1,143)
Elimination of inter-segment profits	-	-
Consolidated profit or loss before income tax	5,162	4,354
Assets		
Total assets for reportable segments	152,379	125,891
Other assets	5,399	3,979
Consolidated total assets	157,778	129,870
Liabilities		
Total liabilities for reportable segments	47,618	29,022
Other liabilities	3,551	(1,189)
Consolidated total liabilities	51,169	27,833

Condensed Notes to the Consolidated Interim Financial Statements

For the six months ended 31 December 2012

5. Operating Segments (continued)

Other material items – 6 months ended 31 December 2012

<i>In thousands of AUD</i>	Reportable segment totals	Adjustments	Consolidated totals
Interest revenue	55	57	112
Interest expense	(961)	-	(961)
Capital expenditure	15,908	4	15,912
Depreciation and amortisation	(5,736)	(15)	(5,751)
Income tax benefit (expense)	(2,139)	349	(1,790)

Other material items – 6 months ended 31 December 2011

<i>In thousands of AUD</i>	Reportable segment totals	Adjustments	Consolidated totals
Interest revenue	181	66	247
Interest expense	(739)	-	(739)
Capital expenditure	8,272	31	8,303
Depreciation and amortisation	(5,205)	(13)	(5,218)
Income tax benefit (expense)	(1,772)	207	(1,565)

Major customer

Revenues from two customers in the KPS Power Generation segment represents approximately 30% (31 December 2011: 48% from three customers) of the Group's total revenues (each customer greater than 10% individually).

6. Other Income / (Expense)

<i>In thousands of AUD</i>	31 December 2012	31 December 2011
Management income	-	14
Realised foreign exchange loss	-	(16)
Profit on sale of property, plant and equipment	-	1
Provision for loan	-	(13)
Royalty rebate	84	-
Other income	24	11
	108	(3)

7. Loans and Borrowings

On 11 December 2012, Pacific Energy (KPS) Pty Ltd and the Commonwealth Bank of Australia agreed to a loan variation agreement amending the following terms of the bank loan:

- Increase in the term debt facility limit from \$23.3 million to \$45 million (available to be drawn until September 2013);
- Provision of a \$10 million interest only working capital facility;
- Permitted Indebtedness to be limited to \$1 million plus existing drawdowns on the Equipment Finance Facilities; and
- The term debt facility will be interest only. From 31 December 2013 the facility limit of \$45 million will be reduced by equal quarterly amounts down to \$30 million by 30 September 2015.

No repayments were made on the bank loan during the period (2011: \$2,607,313), in line with previously disclosed repayment terms.

During the period, the Group did not draw further on its \$24 million Equipment Finance Facilities. The total amount drawn at 31 December 2012 was \$10.2 million (2011: \$2.6 million). The Equipment Finance Facilities bear interest at a weighted average rate of 7.13% and are repayable over 3-4 years.

Condensed Notes to the Consolidated Interim Financial Statements

For the six months ended 31 December 2012

8. Share Capital

<i>In thousands of AUD</i>	Number of shares ('000)		Share capital (\$'000)	
	31 December 2012	31 December 2011	31 December 2012	31 December 2011
On issue at the beginning of the period	355,556	350,412	102,493	100,288
Deferred consideration payment related to KPS Acquisition	-	4,671	-	1,998
Employee share scheme	371	273	173	101
Exercise of options	4,900	200	2,822	113
Transaction costs, net of tax effect	-	-	(2)	(6)
On issue at 31 December - fully paid	360,827	355,556	105,486	102,494

Issuance of ordinary shares

During the six month period ended 31 December 2012, the Pacific Energy Group issued 5,270,208 Pacific Energy Shares.

Of the total issued:

- 370,208 were issued to employees under the Pacific Energy Employee Share Plan;
- 300,000 were issued upon the exercise of employee options; and
- 4,600,000 were issued upon the exercise of other unlisted options.

All issued Pacific Energy Shares are fully paid.

9. Trade and other receivables

Included in trade and other receivables at 31 December 2012 is approx. \$1.1 million for electricity supplied by the Blue Rock and Cardinia Hydro power stations over the period 1 January 2012 to 31 December 2012.

The purchaser of the electricity and the company are engaged in negotiations relating to New South Wales Greenhouse gas Abatement Certificates (NGACs) accredited to the same purchaser in prior periods. The purchaser secured the benefit of the NGACs for which the company has not been compensated. The purchaser has not made payment for electricity supplied since 1 January 2012 whilst these negotiations are continuing, but has not disputed the amount payable for electricity.

The directors are confident that the amount included in trade and other receivables at 31 December 2012 will be recovered in full.

10. Contingencies

There has been no change from that which was detailed in the financial report as at 30 June 2012 in regards to contingent assets and liabilities. The directors are of the opinion that provisions are not required in respect of these matters, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

11. Subsequent Events

There has not arisen in the interval between the end of the interim financial period and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect significantly the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity, in future financial years.

Directors' Declaration



In the opinion of the directors of Pacific Energy Limited (the "company"):

1. the financial statements and notes set out on pages 6 to 14, are in accordance with the *Corporations Act 2001*, including:
 - (a) giving a true and fair view of the Group's financial position as at 31 December 2012 and of its performance for the six month period ended that date; and
 - (b) complying with the Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
2. there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Dated at Perth this 14th day of February 2013.

Signed in accordance with a resolution of the directors:

A handwritten signature in black ink, appearing to read "Adam Boyd".

Adam Boyd
Chief Executive Officer & Managing Director



INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF PACIFIC ENERGY LTD

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Pacific Energy Ltd and its controlled entities (the consolidated entity) which comprises the consolidated statement of financial position as at 31 December 2012, the consolidated statement of comprehensive income, consolidated statement of changes in equity, the consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of Pacific Energy Ltd are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410: *Review of a Financial Report*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of Pacific Energy Ltd and its controlled entities' financial position as at 31 December 2012 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134: Interim Financial Reporting and the *Corporations Regulations 2001*. As the auditor of Pacific Energy Ltd and its controlled entities, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Pacific Energy Ltd and its controlled entities is not in accordance with the *Corporations Act 2001* including:

- (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and of its performance for the half-year ended on that date; and
- (ii) complying with AASB 134: Interim Financial Reporting and the *Corporations Regulations 2001*.



CROWE HORWATH PERTH



SEAN MCGURK
Partner

Signed at Perth, 14 February 2013