



PACIFICENERGY

Pacific Energy Limited (PEA)

22 009 191 744

Appendix 4D – Half Year Report for six months ended 31 December 2013

1. Details of reporting periods:

Current reporting period : Six (6) months to 31 December 2013
Previous corresponding period : Six (6) months to 31 December 2012

2. Results for announcement to the market:

	Six Months 31 December 2013 \$'000	Six Months 31 December 2012 \$'000	% Change
Revenues	24,923	18,639	34%
Profit after tax	6,987	3,372	107%
Profit after tax attributable to members.	6,987	3,372	107%
Adjusted profit after tax attributable to members. ¹	8,333	6,537	27%

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 2013.

Dividends / distributions	Amount per security (cents)	Franked amount per security (cents)	Amount \$'000	Amount per security of foreign sourced dividends (cents)	Record date	Date paid / payable
Interim dividend – current period	1.0	1.0	3,670	-	26/02/14	12/03/14
Interim dividend – previous period	-	-	-	-	-	-

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 2013.

3. Statement of comprehensive income

Refer to attached Interim Financial Report for the half year ended 31 December 2013.

4. Statement of financial position

Refer to attached Interim Financial Report for the half year ended 31 December 2013.

5. Statement of cash flows

Refer to attached Interim Financial Report for the half year ended 31 December 2013.

6. Dividend payments

The Company paid a final 30 June 2013 fully franked dividend of 1 cent per share, \$3.63 million on 16 September 2013 (2012: nil).

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 2013.

9. Net tangible assets per security

	31 December 2013 Cents	30 June 2013 Cents
Net tangible assets per ordinary security	26.2	24.6

10. Gain or loss of control over entities

Refer to attached Interim Financial Report for the half year ended 31 December 2013.

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 2013 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 2013

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

Mr Grant Walsh
Ms Adela Ciupryk (Joint Company Secretary)

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
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PERTH WA 6000
AUSTRALIA

Commonwealth Bank of Australia Limited
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AUSTRALIA

National Australia Bank
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PERTH WA 6000
AUSTRALIA

Solicitor

Hardy Bowen
Level 1, 28 Ord Street
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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 2013 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 2013 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 2013 was \$7.0 million, compared with a net profit after tax of \$3.4 million during the previous six month period to 31 December 2012.

Based on 363,817,913 weighted average shares on issue during the six month period to 31 December 2013, the result as detailed in these financial statements represents a basic profit of 1.92 cents per share (31 December 2012 – profit of 0.95 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; and
- The expense associated with the issue of employee options and share plan arrangements.

The adjusted net profit after tax pre these adjustments is \$8.3 million compared to \$6.5 million during the six month period to 31 December 2012. Details of adjustments and a comparison to the six month period to 31 December 2012 are as follows:

	6 month period to 31 December 2013 \$'000	6 month period to 31 December 2012 \$'000
Profit after tax attributable to members	6,987	3,372
Add back non-cash charges and one-off items:		
Amortisation - purchased contracts and associated rights	1,283	2,440
Employee share and option expense	63	725
Adjusted profit after tax attributable to members¹	8,333	6,537

¹Adjusted profit after tax equates to the reported net profit after tax pre non-cash amortisation charges, non-cash employee share and option expense 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 2013 as reported, against the six month period ended 31 December 2012.

Comprehensive Income Statement	% Change	6 month period to 31 December 2013 \$'000	6 month period to 31 December 2012 \$'000
Revenue from operations	34%	24,923	18,639
EBITDA pre employee share and option expense and impairment of intangible assets (refer Note 7)	37%	17,320	12,610
EBITDA	41%	16,742	11,885
Reported profit after tax attributable to members	107%	6,987	3,372
Adjusted profit after tax attributable to members¹	27%	8,333	6,537

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

EBITDA performance

Group reported EBITDA for the six months ended 31 December 2013 of \$16.7 million was 41% higher than \$11.9 million EBITDA as reported for the six months to 31 December 2012. 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 expansion from 12MW to 18MW at the Garden Well power station. This incremental generation capacity commenced electricity supply on 1 October 2013;
- The 44MW Tropicana Main power station. This power station commenced electricity supply on 1 July 2013;
- The 3.5MW Andy Well power station. This power station commenced electricity supply on 1 August 2013;
- The 1.5MW Tropicana Borefields power station. This power station commenced electricity supply on 1 August 2013; and
- The 1.5MW Red October power station. This power station commenced electricity supply on 1 July 2013.

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 is in excess of 210MW.

During the period, KPS commissioned 56MW of new generation capacity comprising:

- The 44MW Tropicana Main power station to supply electricity to the Tropicana Joint Venture Gold Project for AngloGold Ashanti Australia Limited;
- The 6MW expansion of the existing Garden Well power station to supply electricity to the Garden Well Gold Project for Regis Resources Limited;
- The 3.5MW Andy Well power station to supply electricity to the Andy Well Gold Project for Doray Minerals Limited;
- The 1.5MW Tropicana Borefields power station to supply electricity to the Tropicana Gold Project Borefields for AngloGold Ashanti Australia Limited; and
- The 1.5MW Red October power station to supply electricity for Saracen Gold Mines Pty Ltd.

During the period, the following reductions in contracted capacity occurred:

- Xstrata Nickel Australasia Operations Pty Ltd terminated the existing electricity supply contract for the supply of power to the Cosmos Nickel Mine and the electricity supply contract for the supply of power to the Sinclair Nickel Mine concluded. The installed capacity of these power stations was 7MW and 5MW respectively;

Review of Operations (continued)

Kalgoorlie Power Systems (continued)

- On 16 August 2013, GMK Exploration Pty Ltd was placed into Administration, resulting in KPS terminating the electricity supply contract for the supply of power to the Meekatharra Gold Project. KPS and the Administrator agreed to continue to supply power to the Meekatharra Gold Project pursuant to the existing contractual terms and conditions until 31 January 2014. From 1 February 2014, KPS and the administrator have agreed to a monthly rolling electricity supply contract for the supply of up to a maximum of 2MW of contracted capacity. Refer to Note 7 of the financial statements for details of the amounts owed by GMK Exploration Pty Ltd at 31 December 2013; and
- On 30 November 2013, AngloGold Ashanti Australia Limited terminated the existing electricity supply contract for the supply of power to the Tropicana Joint Venture Gold Project Accommodation Village. The installed capacity of Tropicana Village power station was 3MW. Electricity supply to the Tropicana Accommodation Village is now provided by the 44MW Tropicana Main power station that was commissioned on 1 July 2013.

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

- Newmont Tanami Pty Limited and KPS have agreed a 12-month extension of the existing electricity supply contract for the 13MW power station located at the Granites milling operations and the 20MW power station located at the Dead Bullock Soak gold mine in the Northern Territory. The documentation for the 12-month extension is under preparation; and
- A 36-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.

Pacific Energy has also made progress to further exploit the proprietary KPS dual fuel and exclusive waste heat recovery technologies. KPS recently commenced the on-site retro-fit of our waste heat recovery technology to the Garden Well Gold Mine power station after completing all the design and fabrication of the integration infrastructure and equipment required to commission each waste heat recovery installation. KPS expects to complete and commission the waste heat recovery retro-fit of the Garden Well Gold Mine power station by 31 March 2014 and, subsequently retro-fit waste heat recovery to the Moolart Well Gold Mine power station.

The company continues to progress electricity supply contract and related negotiations with mining sector companies developing or operating resource project opportunities. Pacific Energy expects these negotiations to result in the signing of new electricity supply contracts by 30 June 2014.

The company remains focused on the consideration of opportunities to expand Pacific Energy group activities in the energy infrastructure supply area.

Perth Workshop and Office Complex

In June 2012, Pacific Energy acquired a 20 acre industrial site 30kms from the Perth CBD and approved the establishment of a Perth domiciled KPS workshop and office complex. Development Approval and construction commencement occurred during H2 FY13. Construction of the Perth Workshop and Office Complex is now well advanced – approximately 45% complete and remains on-time and on-budget for completion and occupation by June/July 2014.

Victorian Hydro operations

Pacific Energy's Victorian hydro power station assets performed at lower utilisation factors due to reduced water availability. Renewable electricity generation from the Blue Rock Dam and Cardinia Reservoir hydro power stations generated 2.5 GWh and 6.5 GWh during the six month period respectively.

The water supply arrangements with Melbourne Water Corporation (MWC) for the supply of water to the Cardinia power station require a minimum annual volume of 93GL of water be made available for power generation (Minimum Annual Volume). Pacific Energy is entitled to a MWC royalty rebate for any revenue unearned in circumstances where the Minimum Annual Volume is not supplied. In June 2012, MWC reimbursed the company for royalty rebates accrued for the period 1 January 2006 through to 31 December 2010 in the amount of \$938,000. For the period from 1 January 2011 to 31 December 2013 the company has accrued \$543,000 in royalty rebates owing.

The long term water rights agreement for the Cardinia power station expired during December 2013. The Company has negotiated a 3 month extension while it continues to negotiate a 10 year extension with MWC.

Other Developments

On 16 September 2013, the Company paid its maiden final ordinary fully franked dividend of \$3,634,269 (1 cent per fully paid share).

Directors' Report



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 2013.

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 11th day of February 2014.

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 2013, 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, 11 February 2014

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Consolidated Interim Statement of Comprehensive Income



For the six months ended 31 December 2013

<i>In thousands of AUD</i>	<i>Notes</i>	31 December 2013	31 December 2012
Revenue		24,923	18,639
Other income	6	579	108
Consumables and spare parts used		(1,324)	(1,362)
Employee benefits expense		(2,912)	(3,674)
Impairment expense	7	(2,355)	-
Other expenses		(2,169)	(1,826)
Earnings before interest, tax, depreciation and amortisation		16,742	11,885
Depreciation and amortisation		(5,509)	(5,751)
Results from operating activities		11,233	6,134
Financial income		160	112
Financial expenses		(1,314)	(1,084)
Net financing expense		(1,154)	(972)
Profit before income tax		10,079	5,162
Income tax expense		(3,092)	(1,790)
Profit for the period		6,987	3,372
Other comprehensive income			
Foreign currency translation differences for foreign operations		5	2
Effective portion of changes in fair value of cash flow hedges, net of tax		-	11
Other comprehensive profit for the period, net of income tax		5	13
Total comprehensive profit for the period		6,992	3,385
Earnings per share			
Basic earnings per share (cents)		1.92	0.95
Diluted earnings per share (cents)		1.92	0.95

The condensed notes on pages 11 to 15 are an integral part of these consolidated interim financial statements.

Consolidated Interim Statement of Financial Position



As at 31 December 2013

<i>In thousands of AUD</i>	<i>Notes</i>	31 December 2013	30 June 2013
Assets			
Cash and cash equivalents		12,513	11,981
Trade and other receivables		7,848	6,943
Inventory		795	877
Total current assets		21,156	19,801
Cash and cash equivalents		103	103
Trade and other receivables		88	88
Property, plant and equipment		126,944	122,806
Intangible assets		30,490	32,284
Total non-current assets		157,625	155,281
Total assets		178,781	175,082
Liabilities			
Trade and other payables		3,002	2,816
Employee benefits		293	295
Provisions		1,091	985
Current tax liabilities		1,689	4,482
Loans and borrowings		6,856	4,162
Total current liabilities		12,931	12,740
Loans and borrowings		38,005	38,722
Provisions		949	920
Employee benefits		274	236
Deferred tax liability		5,345	4,992
Total non-current liabilities		44,573	44,870
Total liabilities		57,504	57,610
Net assets		121,277	117,472
Equity			
Share capital	8	107,718	106,980
Reserves		(522)	(236)
Retained earnings		14,081	10,728
Total equity		121,277	117,472

The condensed notes on pages 11 to 15 are an integral part of these consolidated interim financial statements.

Consolidated Interim Statement of Changes in Equity



For the six months ended 31 December 2013

<i>In thousands of AUD</i>	Share capital	Translation reserve	Hedging reserve	Option reserve	Retained earnings	Total equity
Balance at 1 July 2013	106,980	(1,250)	-	1,014	10,728	117,472
Total comprehensive income for the period						
Profit for the period	-	-	-	-	6,987	6,987
Foreign currency translation differences	-	5	-	-	-	5
Total other comprehensive income	-	5	-	-	-	5
Total comprehensive income for the period	-	5	-	-	6,987	6,992
Transactions with owners, recorded directly in equity						
Contributions by and distributions to owners						
Dividends paid	-	-	-	-	(3,634)	(3,634)
Issue of ordinary shares, related to employee share scheme, net of transaction costs and tax	164	-	-	-	-	164
Issue of ordinary shares upon exercise of options, net of transaction costs and tax	574	-	-	(189)	-	385
Equity settled share based payment transactions	-	-	-	59	-	59
Share options lapsed	-	-	-	(161)	-	(161)
Total transactions with owners	738	-	-	(291)	(3,634)	(3,187)
Balance at 31 December 2013	107,718	(1,245)	-	723	14,081	121,277

The condensed notes on pages 11 to 15 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 15 are an integral part of these consolidated interim financial statements.

Consolidated Interim Statement of Cash Flows



For the six months ended 31 December 2013

<i>In thousands of AUD</i>	31 December 2013	31 December 2012
Cash flows from operating activities		
Receipts from customers	22,756	17,045
Payments to suppliers and employees	(6,037)	(5,970)
Interest received	159	111
Interest paid	(1,157)	(961)
Income tax paid	(5,528)	-
Net cash from operating activities	10,193	10,225
Cash flows from investing activities		
Purchase of property, plant and equipment	(8,259)	(15,698)
Proceeds from the sale of property, plant and equipment	-	5
Payments relating to new electricity supply contracts	(4)	(45)
Net cash used in investing activities	(8,263)	(15,738)
Cash flows from financing activities		
Proceeds from issue of shares	388	1,985
Payment of transaction costs	(8)	(298)
Dividends paid	(3,634)	-
Proceeds from borrowings	4,000	7,500
Repayments of borrowings	(2,149)	(2,023)
Net cash provided by / (used in) financing activities	(1,403)	7,164
Net increase in cash and cash equivalents	527	1,651
Cash and cash equivalents at the beginning of the period	11,981	7,525
Effect of exchange rate fluctuations on cash held	5	2
Current cash and cash equivalents at the end of the period	12,513	9,178

The condensed notes on pages 11 to 15 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 2013

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 2013 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 2013 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 2013. 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 2013.

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 2013.

Condensed Notes to the Consolidated Interim Financial Statements

For the six months ended 31 December 2013

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 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012
External revenues	24,562	18,182	361	457	24,923	18,639
Interest income	89	47	2	8	91	55
Interest expense	(1,157)	(961)	-	-	(1,157)	(961)
Depreciation and amortisation	(5,351)	(5,595)	(142)	(141)	(5,493)	(5,736)
Reportable segment profit before income tax	10,660	6,579	398	223	11,058	6,802
Income tax expense	(3,252)	(2,072)	(120)	(67)	(3,372)	(2,139)
Reportable segment assets	168,172	147,592	3,480	4,787	171,652	152,379
Reportable segment liabilities	55,218	46,867	628	751	55,846	47,618
Capital expenditure	8,341	15,908	18	-	8,359	15,908

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

<i>In thousands of AUD</i>	31 December 2013	31 December 2012
Revenues		
Total revenue for reportable segments	24,923	18,639
Other revenue	8,976	8,143
Elimination of inter-segment revenue	(8,976)	(8,143)
Consolidated revenue	24,923	18,639
Profit or loss		
Total profit or loss for reportable segments	11,058	6,802
Other profit or loss	(979)	(1,640)
Elimination of inter-segment profits	-	-
Consolidated profit or loss before income tax	10,079	5,162
Assets		
Total assets for reportable segments	171,652	152,379
Other assets	7,129	5,399
Consolidated total assets	178,781	157,778
Liabilities		
Total liabilities for reportable segments	55,846	47,618
Other liabilities	1,658	3,551
Consolidated total liabilities	57,504	51,169

Condensed Notes to the Consolidated Interim Financial Statements

For the six months ended 31 December 2013

5. Operating Segments (continued)

Other material items – 6 months ended 31 December 2013

<i>In thousands of AUD</i>	Reportable segment totals	Adjustments	Consolidated totals
Interest revenue	91	69	160
Interest expense	(1,157)	-	(1,157)
Capital expenditure	8,359	2	8,361
Depreciation and amortisation	(5,493)	(16)	(5,509)
Income tax benefit / (expense)	(3,372)	280	(3,092)

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)

Major customer

Revenues from three customers in the KPS Power Generation segment represents approximately 38% (31 December 2012: 30% from three customers) of the Group's total revenues (each customer greater than 10% individually).

6. Other Income

<i>In thousands of AUD</i>	31 December 2013	31 December 2012
Royalty rebate	355	84
Other income	224	24
	579	108

7. Impairment expense

<i>In thousands of AUD</i>	31 December 2013	31 December 2012
Impairment of financial assets ¹	1,840	-
Impairment of intangible assets ²	515	-
	2,355	-

¹ On 16 August 2013, one of the Group's customers, GMK Exploration Pty Ltd, was placed into Administration. An impairment provision has been raised for all amounts owing by this customer at 16 September 2013, which consisted approx. \$0.2 million in unpaid electricity and a \$1.6 million termination payment. The total amount receivable of \$1.8 million has been fully provided for as the amount is not considered recoverable at 31 December 2013.

² During the period, one of the Group's customers, Xstrata Nickel Australasia Operations Pty Ltd, terminated its power supply contracts with the Group. An impairment provision has been raised against the customer relationship intangible assets and the total amount of \$0.5 million has been written off in full.

Condensed Notes to the Consolidated Interim Financial Statements

For the six months ended 31 December 2013

8. Share Capital

<i>In thousands of AUD</i>	Number of shares ('000)		Share capital (\$'000)	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
On issue at the beginning of the period	363,427	355,556	106,980	102,493
Employee share scheme	398	371	165	173
Exercise of options	1,250	4,900	576	2,822
Transaction costs, net of tax effect	-	-	(3)	(2)
On issue at 31 December - fully paid	365,075	360,827	107,718	105,486

Issuance of ordinary shares

During the six month period ended 31 December 2013, the Pacific Energy Group issued 1,648,302 Pacific Energy Shares.

Of the total issued:

- 398,302 were issued to employees under the Pacific Energy Employee Share Plan;
- 1,250,000 were issued upon the exercise of employee options.

All issued Pacific Energy Shares are fully paid.

9. Dividends

(a) Dividends not recognised at year end

Since the end of the period the Directors have declared a fully franked interim dividend of 1 cent (2012: nil) per fully paid ordinary share. The aggregate amount of the dividend of \$3.67 million is to be paid on 12 March 2014 and has not been recorded as a liability at 31 December 2013.

(b) Franked Dividends

The franked portions of the interim dividend declared after 31 December 2013 will be franked out of existing franking credits or out of franking credits arising from the payment of income tax in the period ended 31 December 2013.

<i>In thousands of AUD</i>	2013	2012
Franking credits available for subsequent financial years based on a tax rate of 30% (2012: 30%)	6,783	1,848
	6,783	1,848

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted where applicable for:

- franking credits that will arise from the payment of the amount of the provision for income tax;
- franking debits that will arise from the payment of dividends recognised as a liability at the end of each reporting period; and
- franking credits that will arise from the receipt of dividends recognised as receivables at the end of each reporting period.

The consolidated amounts include franking credits that would be available to the company if distributable profits of subsidiaries were paid as dividends.

The impact on the franking account of the final dividend declared by the Directors since year end, but not recognised as a liability at year end, will be a reduction in the franking account of \$1.57 million (2012: nil).

Condensed Notes to the Consolidated Interim Financial Statements

For the six months ended 31 December 2013

10. Contingencies

There has been no change from that which was detailed in the financial report as at 30 June 2013 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 15, 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 2013 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 11th day of February 2014.

Signed in accordance with a resolution of the directors:



Adam Boyd
Chief Executive Officer & Managing Director

Independent Review Report



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 Group) which comprises the consolidated statement of financial position as at 31 December 2013, 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 2013 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 2013 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, 11 February 2014