

ASX CODE

PEA

ISSUED CAPITAL

Ordinary Shares
365.1M

Options

6.4M

KPS
CONTRACTED
CAPACITY

210MW

HYDRO
CONTRACTED
CAPACITY

6MW

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PACIFICENERGY

ASX ANNOUNCEMENT

12 February 2014

PACIFIC ENERGY POWERS TO RECORD RESULT AND FY14 INTERIM FULLY FRANKED DIVIDEND

Highlights

- Revenue of \$24.9M, up 34 per cent on previous corresponding period
- \$17.3M Adjusted EBITDA² – up 37 per cent on previous corresponding period
- \$8.3M Adjusted NPAT¹ – up 27 per cent on previous corresponding period
- Interim cash dividend of 1 cent fully franked
- Operating margins enhanced
- Significant cash flow generation delivering increased dividend returns to shareholders
- 56MW of new power station capacity commissioned since FY13 end
- Perth Workshop and Office Complex construction 45 per cent complete
- Revised Outlook: FY14 EBITDA guidance increased to \$32M - \$34M

Power generation company Pacific Energy Limited (Pacific Energy), today announced a 37 per cent increase in earnings before interest tax depreciation and amortisation (EBITDA)² to \$17.3M from its Kalgoorlie Power Systems (KPS) and hydro-electric businesses for the six-months ended 31 December 2013.

The robust earnings growth was generated on revenue of \$24.9M, which resulted in a 27 per cent increase in Adjusted NPAT¹ of \$8.3M.

Managing Director's Comment

Pacific Energy's Managing Director, Mr Adam Boyd said: "We are delighted to deliver Pacific Energy's tenth consecutive period of earnings growth underpinned by the outstanding performance of the Kalgoorlie Power Systems business which continued to deliver exceptional construction execution and commissioning results.

"The delivery of 56MW capacity expansion across 5 KPS power stations on time and on budget was not only a major achievement by the KPS team but also the key driver of the Company's earnings growth during the period.

“In addition, the commencement of the on-site retro-fit of our waste heat recovery technology at two KPS power stations was another significant milestone for the Company. This will now provide for the accelerated and timely roll-out of the technology once new waste heat recovery retro-fit contracts are secured.

“Looking forward, the new generation capacity commissioned during the period, together with the planned commissioning of our waste heat recovery technology at two KPS power stations before the end of FY14 is expected to deliver another record earnings result for the FY14 Full Year.

Market Conditions

“The Company’s record earnings result was achieved despite the backdrop of the slowdown in new resource project development in Australia. The shift in the focus of resource sector companies from expansion opportunities to cost reduction at existing projects has recently translated into the announcement of some new and significant gas infrastructure development projects in the Pilbara. We expect this to enable KPS to further utilise its proprietary fuel flexibility technology.

“The KPS business generated significant cash flow during the current low growth phase of the resource sector cycle while the curtailment of new mine development moderated the capital expenditure commitments of the business.

“During the period KPS secured contract extensions for the following existing operations:

- Newmont Tanami Pty Limited and KPS have agreed to another 12-month extension of the existing electricity supply contracts 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 - relevant documentation is under preparation; and
- Saracen Mineral Holdings Limited and KPS have agreed to a 36-month extension of the existing electricity supply contract for the 10MW power station located at the Carosue Dam Gold Project in Western Australia.

“Contract terminations during the period included:

- Xstrata Nickel Australasia Operations Pty Limited terminated the electricity supply contracts for both the Cosmos & Sinclair Nickel mines on 31 October 2013. The combined installed capacity of these two power stations was 12MW;
- GMK Exploration Pty Limited was placed in administration during August 2013 resulting in KPS terminating the electricity supply contract for the Meekatharra Gold Project. Subsequently, KPS and the administrator agreed to continue to supply electricity to the Meekatharra Gold Project on the pre-existing contract terms & 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 2MW of installed capacity; and
- AngloGold Ashanti Australia Limited terminated the temporary electricity supply contract for the supply of electricity to the Tropicana Gold Project accommodation village. Electricity supply to the accommodation village is now provided by the KPS owned 44MW Tropicana Gold Project Main power station that was commissioned on 1 July 2013. The installed capacity of the Tropicana Gold Project accommodation village power station was 3MW.

Perth Workshop & Office Complex

As highlighted in the FY13 Full Year Results, the Pacific Energy Board approved the development of a new Perth Workshop and Office Complex (PWOC) which positions the Company well to service resource sector markets outside our historical focus in the WA Goldfields. The PWOC gives the Company increased capacity and lower cost logistics outcomes. PWOC construction commenced during the period and is scheduled to be completed in June 2014 and initial occupation to commence in July 2014. The forecast completion cost of the PWOC remains on-time

and budget at \$6.5M and is approx. 45 per cent complete.

Once complete, the activities of the Pacific Energy group will be re-structured providing for a reduction in leased accommodation costs of in excess of \$0.5M per annum. The establishment of a Perth based KPS workshop and group office accommodation will also reduce costs associated with the installation and maintenance of new power stations outside the WA Goldfields and expand the availability of professional tradespeople for the KPS business from the Perth metro area.

Outlook and Future Growth

Looking forward, Pacific Energy will continue to pursue opportunities to grow the Company's activity footprint and anticipates that new electricity supply and energy infrastructure opportunities will present during FY14.

In light of the Half Year Result, the Company has revised its forecast FY14 EBITDA guidance to \$32M - \$34M, reflecting a \$1M increase on previous FY14 guidance of \$31M - \$33M.

The Board anticipates that both the interim fully franked dividend and final fully franked dividend (1 cent per share each) will be maintained in the foreseeable future, with future dividends being subject to numerous factors including ongoing profitability, cash flow commitments, working capital requirements, other expenditure commitments (including acquisitions, new development, capital expenditure obligations) and the availability of franking credits.

Financial Report – Result Summary

The table below provides a comparison of the key results for the six months to 31 December 2013 as reported, against the preceding six months to 31 December 2012:

Comprehensive Income Statement	% Change	6 months to 31 December 2013 \$'000	6 months to 31 December 2012 \$'000
Revenue from operations	34%	24,923	18,639
Adjusted EBITDA ²	37%	17,320	12,610
EBITDA	41%	16,742	11,885
Adjusted profit after tax attributable to members ¹	27%	8,333	6,537
Reported profit after tax attributable to members	107%	6,987	3,372

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

² Adjusted EBITDA equates to EBITDA pre employee share and option expense and impairment of intangible assets (Refer to Financial Statements Note 7).

End.

About Pacific Energy

Pacific Energy is an ASX listed (ASX: PEA) power generation project developer and owner.

Headquartered in Perth, Western Australia, Pacific Energy is focused on the development, ownership and maintenance of mine site and renewable energy power stations.

Kalgoorlie Power Systems, a wholly owned subsidiary of Pacific Energy Limited, is a leading provider of power generation infrastructure to the mining and resources sector in Australia. The business operates a build, own, maintain execution model with 210MW of contracted capacity at 19 mine site locations across Australia.

ASX ANNOUNCEMENT (CONTINUED)



(continued over...)

Pacific Energy Hydro, a wholly owned subsidiary of Pacific Energy Limited, owns and operates 6MW of hydro power generation capacity located approximately 70 kilometres east of Melbourne, Victoria. The Company's hydro assets commenced operation in 1992 and comprise two separate power stations located at the Cardinia Reservoir and Blue Rock Dam.

ANNEXURE - SIX MONTH RESULTS

RECONCILIATION OF REPORTED NPAT TO ADJUSTED NPAT

Description	Appendix 4D 6 months to 31 December 2013 \$'000	Comparison 6 months to 31 December 2012 \$'000	Comment
Profit after tax attributable to members	6,987	3,372	
Add back non-cash charges and one-off items:			
Amortisation of purchased contracts and associated rights	1,283	2,440	Non cash amortisation of the notional value of electricity supply contracts acquired as part of the KPS acquisition (2009). These electricity supply contract notional values are amortised over their remaining contract term.
Employee share and option expense	63	725	Non-cash expense relating to the value of shares and options issued under employee incentive plans.
Tax expense / (benefit) of non-cash and one-off items	-	-	Tax benefit of the non-cash and one-off items.
Adjusted profit after tax attributable to members	8,333	6,537	