

ASX CODE

PEA

ISSUED CAPITAL

Ordinary Shares
363.4M

Options
8.6M

KPS
CONTRACTED
CAPACITY
232MW

HYDRO
CONTRACTED
CAPACITY
6MW

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PACIFICENERGY

ASX ANNOUNCEMENT

22 August 2013

RECORD EARNINGS AND MAIDEN CASH DIVIDEND FOR PACIFIC ENERGY

Highlights

- Revenue for the year of \$43.5M, an increase of 37 per cent on prior twelve-month period
- \$27.8M EBITDA – up 30 per cent on prior twelve-month period
- \$17.3M Adjusted NPAT¹ – up 56 per cent on prior twelve-month period
- 1 cent fully franked final dividend declared
- 95MW of new power station capacity commissioned since 1 July 2012
- 13MW of new power station contracts secured since 1 July 2012
- 10MW of new power station capacity to be commissioned during H1 FY14
- Outlook: FY14 EBITDA guidance \$31M - \$33M
- Perth Workshop and Office Complex construction commenced

Power generation company Pacific Energy Limited (Pacific Energy), today announced record earnings from its Kalgoorlie Power Systems (KPS) and hydro-electric businesses for the twelve-months ended 30 June 2013 with a 30 per cent increase in EBITDA to \$27.8M.

The robust earnings growth was generated on revenue for the year of \$43.5M, an increase of 37 per cent on the previous corresponding period.

The Company also announced a 56 per cent increase in Adjusted NPAT¹ of \$17.3M.

Managing Director's Comment

Pacific Energy's Managing Director, Mr Adam Boyd said: "Pacific Energy has delivered another record earnings result underpinned by the commissioning of 95MW of new generation capacity across 9 power stations during the period as well as numerous contract renewals. The seamless delivery of this capacity expansion on time and on budget is a major achievement for the KPS team. In addition to this outstanding result, KPS maintained its historical high availability, reliability and fuel efficiency performance across the expanded power station fleet.

“The shift in the focus of resource sector companies from expansion opportunities to cost reduction at existing projects creates ongoing opportunities for KPS’s proprietary fuel flexibility and efficiency technologies.

“Pacific Energy is poised for further earnings growth with a conservatively geared balance sheet and strong cashflows,” he said.

The new KPS power stations that were constructed and commissioned include the:

- 44MW Tropicana Gold Project power station for the Tropicana Gold Project Joint Venture comprising AngloGold Ashanti Australia Limited (70% owner & JV Manager) and Independence Group NL (30% owner);
- The remaining 15MW of the 20MW DeGrussa Copper-Gold Project power station for Sandfire Resources Limited;
- 12MW Garden Well Gold Project power station for Regis Resources Limited;
- 9MW Nullagine Gold Project power station for Millennium Minerals Limited;
- 8MW Meekatharra Gold Project power station for Reed Resources Limited subsidiary GMK Exploration Pty Limited (in Administration);
- 3.5MW Andy Well Gold Project power station for Doray Minerals Limited subsidiary Andy Well Mining Pty Limited;
- The final stage of the 3MW Tropicana Gold Project Village power station for AngloGold Ashanti Australia Limited (as Tropicana JV Manager); and
- 1.5MW Red October Gold Mine power station for Saracen Gold Mines Pty Limited.

Despite the slowing of resource sector activity and a reduction of new contract opportunities presenting in our preferred Australian resource sector market, KPS also secured new contracts for the installation of 13MW of new power station capacity and contract term extensions as follows:

- 3.5MW Andy Well Gold Project power station for Doray Minerals Limited subsidiary Andy Well Mining Pty Limited;
- 6.0MW Garden Well Gold Project power station expansion and waste heat recovery technology retro-fit for Regis Resources Limited;
- 1.5MW Red October Gold mine power station for Saracen Gold Mines Pty Limited;
- 1.5MW Tropicana Gold Project borefields power station for AngloGold Ashanti Australia Limited (as Tropicana JV Manager);
- A 12-month extension to the contract with Newmont Tanami Pty Limited for the 13MW Granites power station and 20MW Dead Bullock Soak power station in the Northern Territory;
- A 30-month extension to the contract with Xstrata Nickel Australasia Operations Pty Limited for the 7MW Cosmos Nickel Project power station in Western Australia;
- A 36-month extension to the contract with Saracen Gold Mines Pty Limited for the 10MW Carosue Dam Gold Project power station in Western Australia; and
- A 13-month extension to the contract with Avoca Mining Pty Limited for the 11MW Higginsville Gold Project power station in Western Australia.

Cost pressures across the resource sector and a reduction in precious and base metal commodity prices have placed the Australian and global resource sector under significant earnings pressure. The KPS power station portfolio has been directly impacted by these market conditions with two KPS clients placed in administration and the early termination of another contract as detailed below:

- On 30 June 2013, Lake Johnston Pty Limited terminated the KPS contract for electricity supply to the Lake Johnston Nickel Project early. Lake Johnston Pty Limited paid KPS an early contract termination fee of \$1.5M. Lake Johnston and KPS entered into a new care & maintenance electricity supply contract with the effect of reducing the contracted capacity of the Lake Johnston Nickel Project power station from 12MW to 3MW;
- On 28 March 2013, Navigator Resources Limited and its subsidiaries were placed into administration. KPS terminated the contract for electricity supply and entered into arrangements for care & maintenance electricity supply with the Navigator administrator reducing the contracted capacity of the Bronzewing Gold Project power station from 11MW to 1MW;
- On 16 August 2013, GMK Exploration Pty Limited (a subsidiary of ASX-listed Reed Resources Limited) was placed into administration. KPS has commenced discussions with the administrator of GMK. The administrator has verbally indicated to KPS that they plan to operate the Meekatharra Gold Project on a “business as usual basis” until a review of the project has been completed. No further information is available at this juncture; and
- As detailed in Pacific Energy’s FY13 Half Year Results, the contracted capacity at the Cosmos and Sinclair Nickel Project power stations was reduced from 19MW to 12MW commencing September 2012.

The new KPS power stations commissioned during FY13 and those scheduled for completion during H1 FY14 will make a significant incremental earnings contribution during FY14. Pacific Energy has completed a review of its forecast FY14 earnings estimate in the context of the new KPS installed capacity and aforementioned capacity reductions due to the Lake Johnston early contract termination and clients placed in administration. The revised forecast FY14 EBITDA guidance is \$31M - \$33M.

During the period a number of our resource sector clients adjusted their focus from expansion opportunities to cost reduction at their existing operations. This change in industry focus is generating greater interest in the proprietary KPS fuel flexibility and efficiency technologies. The 6MW expansion of the Garden Well Gold Project power station will be retro-fitted with our waste heat recovery solution bringing the total installed capacity to be retro-fitted with this improved fuel efficiency technology to 26MW.

The ability of our advanced KPS dual fuel and waste heat recovery technologies to deliver reduced electricity costs for our existing mine clients is also being well received in this new cost focused environment which gives us confidence we will see further contract renewals.

Future Growth & Maiden Dividend

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. Significant surplus cash flow is generated by the Pacific Energy business during any low growth phase of the resource sector cycle. The curtailment of new mine development will moderate the capital expenditure commitments of our business.

The Pacific Energy Board has declared a fully franked FY13 Final Dividend of 1 cent per share and anticipates maintaining this dividend in future years. The Board has also approved a Dividend Policy with the aim of maintaining an annual fully franked dividend payout ratio of 30% - 50% of net profit after tax. Future dividends will be 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.

Perth Workshop & Office Complex

As highlighted in the FY13 Half 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 improved logistics primarily as a result of better transport options. PWOC construction commenced during the period and is scheduled to be completed in May / June 2014. The forecast completed cost of the PWOC is \$6.5M.

Once complete, the activities of the Pacific Energy group will be re-structured providing for a reduction in leased accommodation costs. 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 in the Perth metro area.

The continuing successful growth of KPS and its proven ability to deliver on-time and on-budget projects for its clients is a testament to the capability and efforts of our KPS personnel. This, along with our unique position as a supplier of energy efficiency and cost reduction technologies to the resources sector will continue to drive business growth and value creation for Pacific Energy shareholders.

Financial Report – Result Summary

The table below provides a comparison of the key results for the twelve months to 30 June 2013 as reported, against the preceding twelve months to 30 June 2012:

Comprehensive Income Statement	% Change	Appendix 4E 12 months to 30 June 2013 \$'000	Comparison 12 months to 30 June 2012 \$'000
Revenue from operations	37%	43,532	31,881
EBITDA pre asset sale gains ²	30%	27,845	21,500
EBITDA	29%	27,839	21,514
Adjusted profit after tax attributable to members ¹	56%	17,314	11,109
Reported profit after tax attributable to members	1070%	13,073	1,117

¹ Adjusted profit after tax equates to the reported net profit after tax pre non-cash amortisation charges, one-off increase to tax expense due to retrospective tax legislation change in June 2012, "one off" asset sale benefits and the related tax effects.

² Refer to Note 6 in the financial statements – pre asset sale gains and losses.

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 232MW of contracted capacity at 20 mine site locations across Australia.

(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 - TWELVE MONTH RESULTS

RECONCILIATION OF REPORTED NPAT TO ADJUSTED NPAT

Description	Appendix 4E 12 months to 30 June 2013 \$'000	Comparison 12 months to 30 June 2012 \$'000	Comment
Profit after tax attributable to members	13,073	1,117	
Add back non-cash charges and one-off items:			
Amortisation of purchased contracts and associated rights	4,237	4,907	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.
One-off increase to tax expense due to retrospective tax legislation change	-	5,095	One-off tax expense increase due to retrospective tax legislation change in June 2012.
Profit/(Loss) on sale of investments and property, plant and equipment	6	(14)	Non-recurring asset sales of property, plant and equipment and listed investments.
Tax expense / (benefit) of non-cash and one-off items	(2)	4	Tax benefit of the non-cash and one-off items.
Adjusted profit after tax attributable to members	17,314	11,109	