

ASX CODE

PEA

ISSUED CAPITAL

Ordinary Shares
360.8M

Options
10.7M

KPS
CONTRACTED
CAPACITY
240MW

HYDRO
CONTRACTED
CAPACITY
6MW

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PACIFICENERGY

ASX ANNOUNCEMENT

14 February 2013

STRONG ORGANIC GROWTH UNDERPINS RECORD PACIFIC ENERGY RESULT

Highlights

- Revenue of \$18.6M – up 20 per cent on previous corresponding period
- \$12.6M EBITDA² – up 19 per cent on previous corresponding period
- \$6.5M Adjusted NPAT¹ – up 16 per cent on previous corresponding period
- 45MW of new power station capacity commissioned in FY13 to date
- 44MW of additional new power station capacity to be commissioned by FY13 end for total installed capacity in excess of 245MW
- Outlook: FY13 EBITDA guidance \$28M - \$29M
- Pursuing contracted “300MW in 2013” growth strategy
- FY13 maiden franked dividend payment expected

Power generation company Pacific Energy Limited (Pacific Energy), today announced record earnings from its Kalgoorlie Power Systems (KPS) and hydro-electric businesses for the six-months ended 31 December 2012 with a 19 per cent increase in EBITDA² to \$12.6M compared to the previous corresponding period.

The robust earnings growth was generated on revenue for the year of \$18.6M, an increase of 20 per cent on the previous corresponding period.

The Company also announced a 16 per cent increase in Adjusted NPAT¹ of \$6.5M.

Managing Director's Comment

Pacific Energy's Managing Director, Mr Adam Boyd said: "Pacific Energy continues to deliver exceptional organic earnings growth, resulting in another record result for the period. The result reflects the robust performance of the Kalgoorlie Power Systems business which has commissioned 45MW of new power station capacity since 1 July 2012. This new generation capacity, together with the planned completion of the 44MW Tropicana Gold Project power station before FY13 end is expected to deliver new record earnings for the remainder FY13 and FY14."

KPS has enjoyed outstanding tender success in recent years, resulting in a material and sustainable increase in the earnings performance of the Company. This success has been achieved by maintaining a keen focus on power station reliability, cost effective innovation and delivering the lowest cost “fit for purpose” electricity supply solutions available to the resource sector. It has also been driven by the ability of KPS management, trade professionals and sub-contractor partners to complete and commission our KPS power station solutions on time and on budget.

We continue to evaluate and test new equipment that will further enhance the KPS reputation as the benchmark contract power supply partner to the Australian resources sector. We are also focusing on initiatives to expand our service and supply offering to provide our clients energy infrastructure alternatives that can reduce mine operating costs.

During the period, KPS focused on the construction execution and commissioning of the following installations:

- The 12MW Garden Well Gold Project power station for Regis Resources Limited (commissioned 1 September 2012);
- The 9MW Nullagine Gold Project power station for Millennium Minerals NL (commissioned 1 October 2012);
- The remaining 15MW of the 20MW DeGrussa Copper-Gold Project power station for Sandfire Resources Limited (commissioned 1 September 2012);
- The 8MW Meekatharra Gold Project power station for Reed Resources Limited (commissioned 1 January 2013);
- The 44MW Tropicana Gold Project power station for AngloGold Ashanti Australia Limited (under-construction); and
- The 1MW Mt Weld Rare Earths Project power station expansion for Lynas Corporation Limited (1 February 2013).

These power supply solutions will provide a full twelve-month earnings contribution in the FY14 result delivering a material increase in earnings beyond the current FY13 period.

During the period we also secured arrangements to install 3.5MW of new power generation capacity comprising the 3.5MW power station for the Andy Well Gold Project (5-year contract) located in the Murchison region of Western Australia for Doray Minerals Limited.

Xstrata placed the Cosmos Nickel Project operations on care & maintenance during the period pending the completion of a significant operational expansion feasibility study by Xstrata. The aggregate installed capacity at the Cosmos and Sinclair Nickel Project power stations was reduced from 19MW to 12MW pending the results of the feasibility study. The 7MW of surplus capacity at these power stations is expected to be redeployed at new or expanded KPS power station solutions by the end of FY13.

Three of our existing contracts were extended during the period; each was at mining operations that are the subject of significant life of mine extension studies or imminent expansion. These contract extensions comprised:

- A negotiated twelve-month extension to each of the contracts with Newmont Tanami Pty Limited 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;
- Xstrata Nickel Australasia Operations Pty Limited exercised an option to secure a thirty-month extension to the contract for the 7MW power station located at the Cosmos Nickel Project in Western Australia; and

- A negotiated three-month extension to the contract with Saracen Mineral Holdings Limited for the 10MW power station located at the Carosue Dam Gold Project located in Western Australia.

We are working with these clients to finalise electricity supply arrangements beyond the current extended terms as well as potential capacity expansions. We look forward to updating our shareholders of these developments as they occur.

We are also in discussions with existing and potential clients about the potential development and expansion of new and existing projects during 2013. New and existing resources sector clients continue to express significant interest in the KPS fuel efficiency and flexibility technologies currently being developed.

Future Growth & Outlook

During the period we continued to focus on securing contracts for the development of new power stations and the roll-out of our waste heat recovery technology across the existing power station footprint. We are working on tender and proposal stage offerings totalling approximately 280MW planned for award over the next 24 months. We are confident these activities will deliver new contract wins prior to the end of calendar year 2013.

In addition, the Company's corporate development activities have also focused on the consideration of opportunities to expand the group's electricity supply and energy infrastructure capabilities. We continue to advance a range of alternatives towards our goal of expanding the Company's capacity to achieve accelerated earnings growth.

Corporate & Funding

During the period the Company reviewed its capacity to finance the further expansion of our generation footprint through calendar 2013 and beyond. Consequently, KPS restructured its credit facilities and secured an increase in the Company's term debt facility limit from \$23.3M to \$45M and a \$10M revolving working capital facility. This expanded credit capacity was achieved at a reduced funding cost.

The combination of the incremental \$31.7M in available credit and the forecast cash flow to be generated by the business over the coming 12-months will provide funding capability to complete all existing construction and commissioning commitments. These include the construction completion of the new KPS workshop and Pacific Energy office complex located in Perth and will also provide funding flexibility for significant incremental generation capacity growth beyond the Company's existing contracted position.

The future dividend policy of the Company is under Board consideration. The Company will recommence the payment of income tax in February 2013 providing for the payment of a franked dividend to shareholders. The Board intends to pay a maiden dividend subsequent to the end of FY13. The quantum of the maiden dividend and long term payout ratio are subject to numerous factors including but not limited to profitability, cash flow, working capital requirements, other expenditure requirements (including acquisitions, new developments and capital expenditure programs) and the availability of franking credits.

The Board intends to confirm the amount of the 2013 financial year dividend and long-term dividend policy with the FY13 Full Year Results announcement in August 2013.

Financial Report – Result Summary

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

Comprehensive Income Statement	% Change	Appendix 4D 6 months to 31 December 2012 \$'000	Comparison 6 months to 31 December 2011 \$'000
Revenue from operations	20%	18,639	15,589
EBITDA pre asset sale gains ²	19%	12,610	10,626
EBITDA	16%	11,885	10,230
Adjusted profit after tax attributable to members ¹	16%	6,537	5,622
Reported profit/(loss) after tax attributable to members	21%	3,372	2,789

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

² Refer to Note 6 & 8 in the financial statements – pre asset sale gains & losses and employee share & option expense.

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 in excess of 240MW of contracted capacity at 23 mine site locations across Australia.

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 2012 \$'000	Comparison 6 months to 31 December 2011 \$'000	Comment
Profit/(Loss) after tax attributable to members	3,372	2,789	
Add back non-cash charges and one-off items:			
Amortisation of purchased contracts and associated rights	2,440	2,437	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 plan and option scheme	725	397	Non-cash expense relating to the value of shares and options issued under employee incentive plans.
Profit on sale of investments and property, plant and equipment	-	(1)	Non-recurring asset sales of property, plant and equipment and listed investments.
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	6,537	5,047	