



ISSUED CAPITAL
Shares 366.9M
Options 4.4M

KPS CONTRACT
CAPACITY
204MW

HYDRO CONTRACT
CAPACITY
6MW

20 February 2015

PACIFIC ENERGY DELIVERS SOLID RESULT AND MAINTAINS FY15 INTERIM DIVIDEND

Highlights

- Revenue of \$23.0M – down 8 per cent on previous corresponding period ('pcp')
- Adjusted EBITDA² of \$15.4M – down 11 per cent on pcp
- Adjusted NPAT¹ of \$7.0M – down 16 per cent on pcp
- Interim cash dividend of 1 cent fully franked – in line with pcp
- New KPS General Manager commenced – highly experienced remote power executive
- Diesel to gas fuelled power station conversions were a focus for the period
- Overhaul, refurbishment and preventative maintenance of existing fleet sets us up for future growth
- New tender opportunities and arrangements for potential restart of KPS power stations on care & maintenance advancing
- Perth workshop and office complex operational, delivering efficiencies and greater capacity to target additional markets
- Revised outlook: Full year FY15 EBITDA guidance reduced by \$1M, to \$32M - \$34M, due to first half performance, with earnings expected to be in line with budget in H2 FY15

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

² Adjusted EBITDA equates to EBITDA before employee share and option expense, CEO resignation payment and impairment of intangible assets (Refer to Financial Statements Note 7).

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Power generation company Pacific Energy Limited (Pacific Energy), today announced earnings before interest tax depreciation and amortisation (EBITDA)² of \$15.4M from its Kalgoorlie Power Systems (KPS) and hydro-electric businesses for the six months ended 31 December 2014.

The solid earnings result was generated on revenue of \$23.0M, which delivered an Adjusted NPAT¹ of \$7.0M. Statutory NPAT was \$5.3M.

Managing Director's Comment

Pacific Energy's Managing Director, Mr Adam Boyd, said: "Pacific Energy delivered a solid result in the half despite challenging conditions in the resources sector."

"While earnings were lower than the record performance in the previous corresponding period, the Company's core operating business, Kalgoorlie Power Systems, continued to perform robustly in a subdued environment through the continued reliable performance of its existing fleet," Mr Boyd continued.

"This solid result demonstrates the resilience of the Pacific Energy Group business model, quality of our resource sector client base, and highlights the production exposed nature of our earnings generated by both the KPS and hydro-electric businesses."

The period was best characterised as "business as usual" for existing operations, however three non-recurring circumstances resulted in an EBITDA for the half 10% lower than expectations:

- The impact of required rectification works on the waste heat recovery system by supplier, Bowman Energy Recovery Systems, temporarily deferred the ongoing roll-out of the waste heat recovery units at the Garden Well and Moolart Well power stations;
- Reduced construction activity in the KPS business directed our trade professional team to perform a greater level of general and preventative maintenance. This activity is expected to reduce the maintenance requirements of the KPS fleet in the short and medium term; and
- Payment of contractual resignation costs to the CEO & Managing Director.

Pleasingly, in January 2015 the rectification works mentioned above were completed and retro-fitted to the existing waste heat recovery units installed at the KPS Garden Well power station. To date, these rectified units are performing well and KPS will recommence the roll-out installation at both Garden Well and Moolart Well during February 2015.

Mr Boyd said: "Looking forward, the Company is pleased that the resource sector continues to focus on lower cost fuels to reduce mine production costs. This industry initiative has enabled the KPS business to expand the footprint of its gas conversion technology and the proportion of its asset portfolio utilising gas as its primary fuel. This has enabled KPS to deliver improved cost efficiencies for its clients and confirms the strategic investment made in our fuel flexibility technologies and capability.

"For example, during the period KPS secured a new contract for the conversion of the 44MW Tropicana power station from diesel to gas fuelled.

"The re-commencement of the waste heat recovery roll-out and successful commissioning of the recently awarded gas conversion contract are expected to return Pacific Energy to earnings growth in the 2016 financial year."

Market Conditions

Whilst the resource sector market continued to be subdued during the first half, Pacific Energy has been encouraged by the resilience of the gold price – the principal commodity for our client base – and recent tender opportunities in a variety of commodities. The number of mining companies advancing feasibility activities on new and re-start development opportunities in our preferred markets increased during the period. Pacific Energy anticipates that this will provide new power station development and existing re-start power station opportunities for KPS in the near term.

During the period KPS secured new contract arrangements as follows:

- AngloGold Ashanti Australia Limited ('AngloGold') to convert the existing KPS 44MW 100% diesel fuelled Tropicana Gold Project power station to a gas fuelled power station, with an associated tariff increase. The gas converted power station is scheduled to commence commissioning in January 2016.

This new arrangement will enhance the earnings performance of the KPS business from commissioning.

Contract extensions for the following existing operation:

- Newmont Tanami Pty Limited for a 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 through to 31 December 2015 – relevant documentation is under preparation;

Contract terminations during the period included:

- A contract with Alacer Gold to supply electricity to the Chalice gold mine expired. The installed capacity of this power station was 3MW.

Perth Workshop & Office Complex

As highlighted in the FY14 Full Year Results, the new Perth Workshop and Office Complex (PWOC) was completed in July 2014, both on time and on budget. The PWOC positions the Company well to service resource sector markets outside our historical focus in the WA Goldfields and will afford the KPS business increased construction capacity and lower cost logistics outcomes.

During the period, KPS commenced operations from the PWOC and all personnel from the Perth corporate office relocated. Over the coming months the Company will reduce its leased accommodation footprint, which will deliver a margin benefit to the Company's long-term earnings performance.

Outlook and Future Growth

Pacific Energy continues to pursue opportunities to grow the Company's KPS activity footprint. Recent new KPS tender participation and engagement with existing and potential new clients to re-start existing mining projects on care & maintenance frames a positive outlook for new growth opportunities.

In light of earnings in the first half, the Company has revised its forecast FY15 EBITDA guidance down by \$1M to \$32M - \$34M, reflecting an expectation of a return to budgeted performance during H2 FY15.

Further, with the recent secured gas conversion contract for AngloGold and anticipated re-commencement of our waste heat recovery roll-out, Pacific Energy is expected to return to earnings growth during FY16.

Corporate

During the period, the Company completed a credit facility refinancing with the ANZ Bank. The new loan facilities provided by ANZ have an aggregate facility limit of \$63M. These facilities are currently drawn to approx. \$39M. The new funding arrangements provide sufficient funding for all existing and foreseeable capital expenditure and working capital requirements of the Pacific Energy Group.

The Board anticipates that both the interim fully franked dividend and final fully franked dividend (1 cent per share and 1.5 cents per share respectively) 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.

During the period the Company announced the resignation of its CEO, Adam Boyd. The Board has engaged an executive recruitment consultancy to assist with securing an industry experienced CEO. Mr Boyd will remain in his current position until 31 March 2015, allowing time for a successor to be appointed and ensuring a smooth leadership transition. The directors thank Mr Boyd for his almost 9 years of service as CEO.

Financial Report – Result Summary

The table below provides a comparison of the key results for the six months to 31 December 2014 as reported, against the preceding six months to 31 December 2013:

Comprehensive Income Statement	Change	6 months to 31 December 2014 \$'000	6 months to 31 December 2013 \$'000
Revenue from operations	(8%)	23,001	24,923
Adjusted EBITDA ²	(11%)	15,368	17,320
EBITDA	(12%)	14,796	16,742
Adjusted profit after tax attributable to members ¹	(16%)	6,973	8,333
Reported profit after tax attributable to members	(23%)	5,347	6,987

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

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

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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 204MW of contracted capacity at 19 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.

ASX ANNOUNCEMENT (CONTINUED)



ANNEXURE - SIX MONTH RESULTS

RECONCILIATION OF REPORTED NPAT TO ADJUSTED NPAT

Description	Appendix 4D 6 months to 31 December 2014 \$'000	Comparison 6 months to 31 December 2013 \$'000	Comment
Profit after tax attributable to members	5,347	6,987	
Add back non-cash charges and one-off items:			
Amortisation of purchased contracts and associated rights	1,130	1,283	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	246	63	Non-cash expense relating to the value of shares and options issued under employee incentive plans.
CEO resignation payment	357	-	
Tax expense / (benefit) of non-cash and one-off items	(107)	-	Tax benefit of the non-cash and one-off items.
Adjusted profit after tax attributable to members	6,973	8,333	