



ISSUED CAPITAL
 Shares 370.2M
 Options 7.0M

**KPS CONTRACT
 CAPACITY**
 233MW

**HYDRO CONTRACT
 CAPACITY**
 6MW

25 August 2016

PACIFIC ENERGY REPORTS RECORD EARNINGS

Highlights

- **Revenue from Operations up 12% to \$51.3 million**
- **EBITDA up 23% to \$38.0 million**
- **Underlying EBITDA up 19% to \$36.8 million**
- **NPAT up 32% to \$15.7 million**
- **Final Dividend of 1.5 cents fully franked declared (2.5 cents fully franked for full year)**
- **Further growth forecast for FY17 – EBITDA guidance \$40m - \$41m**

Power generation specialist Pacific Energy Limited (“Pacific Energy” or “the Company”) today announced Earnings before Interest, Tax and Depreciation (“EBITDA”) for the year ended 30 June 2016 of \$38.0 million following a 12% increase in revenues. Underlying EBITDA¹ was up by 19%, to \$36.8 million.

The increased revenue and earnings results represent record levels for the Company, with growth generated primarily from new multi-year power contracts and expansions of existing contracts, as well as from overhead savings and cost control measures.

As most commissioning work on the new and expanded power stations was completed in the second half of the year, the full year earnings benefits will commence in the 2017 financial year and therefore further growth is forecast.

Achievement of these results required significant capital expenditure (“capex”) in new assets and refurbishments of existing assets, as well as new supporting plant and equipment. This led to higher than usual capital expenditure of \$37.0 million for the year.

¹Underlying EBITDA is calculated by deducting a \$1.2 million (2015: \$nil) gain on a listed equity investment.

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Managing Director's Comment

Pacific Energy's Managing Director, Mr Jamie Cullen emphasised that the business continued to demonstrate reliability and consistency, both in financial performance for shareholders and operationally in the field for its customers.

"We continue to partner with companies requiring remote power generation for their mining operations. Working closely with the industry over a long period of time and by continuously innovating we have been able to maintain the same pricing regime for our clients since 1989. Furthermore, our deep experience and technological enhancements give us the ability to guarantee fuel efficiency for our customers without compromising reliability, providing a compelling business proposition" he said.

"In providing this essential service we remove the operating risk for our customers whilst also eliminating the need for capital investment from their funding requirements. This has led to many long term relationships with quality customers and the ability for the Company to generate recurring and reliable revenues. As a result we have good earnings visibility and commence the new financial year with a weighted average remaining contract duration of over 4 years".

"With commissioning of all new contracted power stations virtually completed by 30 June 2016, we now look forward to realising the full year income benefits from our heavy capital investment and the hard work undertaken by our operational teams. We are focussed on breaking through the \$40 million EBITDA level in 2017".

Cash Flow & Dividends

The Company generated record cash flow from operating activities of \$30.9 million, up 23% from the prior year.

These operating cash flows as well as existing cash reserves were used to partially fund the capex program, together with drawdowns from the Company's debt facilities. Whilst net debt necessarily rose to \$36.3 million, the additional borrowings are underpinned by long term contracts and have laid the foundation for continued strong earnings performance in the years ahead.

The Company's gearing level of 32% is considered comfortable and conservative. In the absence of any major new capital expenditure requirements that may arise in the 2017 financial year, net debt is forecast to progressively reduce as a result of continuing solid cash flow from operating activities.

The dividend rate of 2.5 cents per share has been maintained and is fully franked.

Outlook

Further growth in the new financial year is expected to come from contracts in hand, which have a weighted average expiry of 4.1 years from 30 June 2016. The Company is also focussed on securing new contracts and is actively engaged on various opportunities with both existing and potential customers.

The Company is also pursuing additional growth from the following areas:

Solar Alliance with juwi Renewable Energy ("juwi")

During the year the Company's KPS subsidiary worked closely with *juwi* to integrate a new 20 hectare solar/battery facility with KPS's existing power station at Sandfire Resources Ltd.'s DeGrussa site. This innovative project resulted in the largest hybrid power facility in Australia and reportedly one of the largest in the world, with 19MW of thermal power, 10.8MW of solar power and 6MW of lithium-ion battery storage.

Following from the success of this project, KPS and *juwi* entered into a formal strategic alliance (the "Alliance") in June 2016. The Alliance is focussed on identifying and securing off-grid projects where customers wish to supplement baseload thermal power with integrated solar and battery power.

German based *juwi* is one of the world's leading renewable energy companies. The combination of *juwi*'s resources, capabilities and marketing reach with KPS's is expected to lead to new opportunities for the Alliance given that there is increasing interest by mining companies on hybrid power.

Africa

In June 2017 a subsidiary company was incorporated in the Republic of South Africa and an experienced executive was appointed to focus on remote power opportunities in the African continent.

This strategic initiative was implemented with the knowledge that many mining regions in Africa do not have access to grid power as a result of their remote locations (much like non-East coast Australia), and those that are connected to grid power often not having reliability.

With KPS's proven and successful remote power capabilities management aims to build a sizeable portfolio of power generating assets in Africa in the years ahead.

The African business is already engaged in bidding for two projects, one in conjunction with *juwi* on a hybrid power opportunity, and expects to be bidding on a further three projects in the near term.

Corporate

At a corporate level, Pacific Energy is constantly reviewing potential new investments and acquisitions that can build scale and profitability, with long term recurring revenues being a key theme.

Whilst none of the potential transactions analysed to date have resulted in a formal recommendation to proceed, there is a steady flow of opportunities and a number of new prospects are currently under review.

Summary

The 2016 record result has provided further demonstration of the quality of Pacific Energy's business and the dependability that it provides to shareholders, notwithstanding uncertain and volatile times in the mining industry in recent years.

A further record result is expected in 2017, with forecast EBITDA in the range of \$40 million to \$41 million.

New initiatives are also underway and management continues to review acquisition and investment opportunities to build the Company's scale and profitability.

The Company remains in good financial health with conservative gearing, solid operating cash flows, reliable long-term income streams and a healthy balance sheet.

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 233MW of contracted capacity at 18 mine site locations across Australia.

ASX ANNOUNCEMENT (CONTINUED)



Pacific Energy Victorian 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.