

2018 ANNUAL REPORT

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PACIFICENERGY



2018 HIGHLIGHTS

RECORD REVENUES AND UNDERLYING EARNINGS

LANDMARK ACQUISITION OF CONTRACT POWER

SIGNIFICANT NEW FUNDING FACILITIES SECURED

EXCELLENT SAFETY AND IN-FIELD OPERATIONAL PERFORMANCE

FURTHER GROWTH FORECAST FOR 2019 FINANCIAL YEAR

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GROUP CONTRACTED CAPACITY



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CHAIRMAN'S AND MANAGING DIRECTOR'S REVIEW

DEAR SHAREHOLDERS

THIS WAS A TRANSFORMATIVE YEAR FOR PACIFIC ENERGY LTD, WITH TWO ACQUISITIONS AND CONTINUING UNDERLYING GROWTH LIFTING THE COMPANY'S TOTAL CONTRACTED CAPACITY FROM 278MW TO 371MW. ACROSS OUR OPERATIONS WE NOW HAVE AN INCREASINGLY DIVERSIFIED CUSTOMER MIX, INCORPORATING MINING COMPANIES, REMOTE TOWNSHIPS AND ENERGY RETAILERS, WITH OVER 40 POWER STATIONS IN OPERATION INCORPORATING A RANGE OF FUEL TECHNOLOGIES.

FINANCIAL RESULT

The Group recorded a 10% increase in underlying EBITDA for the year ended 30 June 2018 to \$44.1 million. This was slightly above the guidance range of \$43 million to \$44 million. For 2019 our guidance range is \$54 million to \$55 million of underlying EBITDA and we expect revenues to surpass the \$100m level.

Reported EBITDA was down 23% and reported NPAT was down 59%, largely due to impairments and non-recurring items that the Company recorded during what was a transformational year due to acquisition activity.

The acquisitions of Contract Power and NovaPower were completed during the year and were largely debt funded from a new \$140 million bank facility, supplemented by an over-subscribed \$21 million rights issue. There were a number of acquisition related costs which, together with impairments recorded on idle assets, negatively impacted reported EBITDA by \$14.5 million.

For the purposes of comparing reported EBITDA to underlying EBITDA, a reconciliation is provided as follows:

Reported EBITDA	\$31.3m
Less: Part year EBITDA contribution from acquisitions	(\$1.7m)
Add: Impairment of fixed assets and intangibles	\$9.8m
Add: Due Diligence costs and accrued stamp duty expense	\$4.7m
Underlying EBITDA	\$44.1m

The increased underlying \$44.1 million of EBITDA represents a record level for the Company, with growth generated primarily from the commencement of a number of new power stations and expansions, as well as benefiting from a full year's contributions from investments in new capacity commissioned part way through the previous year.

The Contract Power business was acquired in April 2018 and has performed in line with expectations. Contract Power offers a new set of relationships and capabilities

REVENUE

2011	26.8M
2012	31.9M
2013	43.5M
2014	47.9M
2015	45.8M
2016	51.3M
2017	57.2M
2018	68.1M

EBITDA

2011	18.0M
2012	21.5M
2013	27.8M
2014	34.4M
2015	30.8M
2016	38.0M
2017	40.8M
2018	31.3M

TOTAL ASSETS

2011	124.8M
2012	144.2M
2013	175.1M
2014	181.4M
2015	179.2M
2016	194.4M
2017	196.8M
2018	316.1M

CHAIRMAN'S AND MANAGING DIRECTOR'S REVIEW

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to Pacific Energy, as well as expanding our portfolio of existing and pipeline projects. This includes power supply to remote West Australian townships as well as to the more traditional mining market. Contract Power also provides Pacific Energy with access to the EPC market and is in the process of constructing a 52MW high speed reciprocating gas power station, one of the largest of its type in the global mining industry.

The NovaPower ("Nova") acquisition, whilst relatively small in value at \$7.5 million, provides an opportunity to expand our presence in the National Electricity Market ("NEM"). Nova runs a 10MW high-efficiency/low emissions gas-fired power station to generate quick response to electricity demand in peak periods. With its technology delivering lower emissions than traditional coal-fired power generation, Nova provides a cleaner form of electricity and can be expanded and modified to capitalise on opportunities in the NEM.

The Company generated slightly higher cash flow from operating activities than the previous year, up 3% to \$35.9 million. These operating cash flows as well as existing cash reserves were used to fund capital expenditure of \$22 million and dividends, as well as contribute to funding acquisitions during the year.

As a term of completing its funding arrangements for the Contract Power acquisition, the Company has suspended its dividends for one year effective from April 2018. Therefore, there was no final dividend declared and there will be no interim dividend for the first half of the new financial year.

The graphs at the bottom of the page provide historical context to the Company's results and financial position, clearly demonstrating the themes of reliability, consistency and growth.

CONTRACTS

During the year the Company's KPS business secured several new contracts and contract expansions totaling 25MW. These amounted to a 9% increase in contracted capacity to 297MW for KPS.

Almost all of the work required to install the additional capacity was completed by 30 June 2018 and the full year's earnings contribution from the new capacity will be realised in the 2019 financial year.

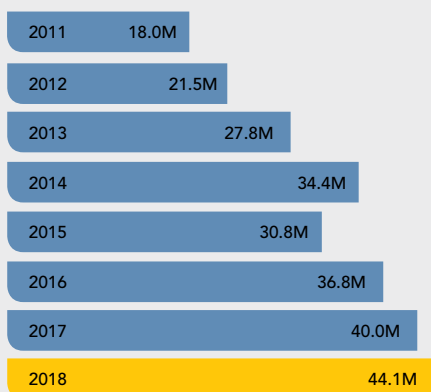
Despite the strong year for the Company and the increase in new contracted capacity, KPS will be demobilizing 44MW of power generation equipment from Newmont Mining's Tanami site in the third quarter of the 2019 financial year. All of the equipment is re-deployable and will reduce future capital expenditure requirements. The Company is confident of achieving full re-deployment of the ex-Newmont equipment judging by the level of tendering and general pricing activity being seen in the mining sector.

OPERATIONS

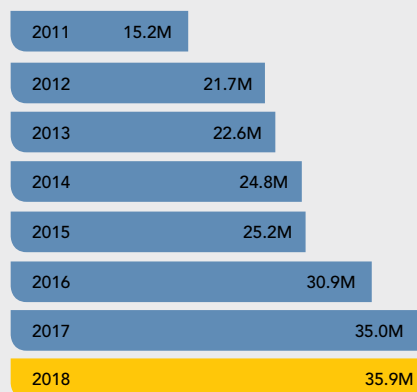
Operationally, our dedicated and experienced staff worked exceptionally hard in the field to complete the new power stations and expansions, as well as maintain our existing power stations to a benchmark standard.

¹ Underlying EBITDA represents reported EBITDA minus profit on sale of listed investment

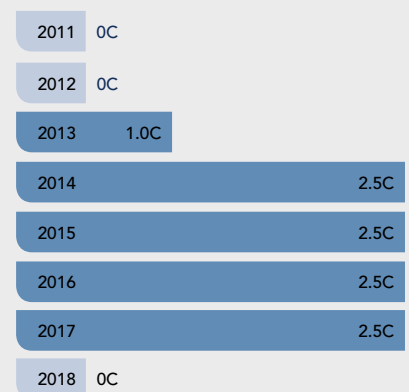
UNDERLYING EBITDA



OPERATING CASH FLOW



DIVIDENDS



CHAIRMAN'S AND MANAGING DIRECTOR'S REVIEW

This was done in a safe and efficient manner and it was particularly pleasing to see solid results in our safety performance during the year.

Building, operating and maintaining power stations in remote mining environments often presents unique challenges and we are fortunate to have long term employees with significant experience and understanding in dealing with the range of challenges that arise.

With the work that has been completed over the 2018 financial year we have built an expanded and diversified portfolio incorporating long term power generation activities which span:

- thermal and renewable power
- off-grid, on-grid and micro-grid
- mining, townships and energy retailers
- Build Own Operate and EPC capabilities

FINANCIAL POSITION

The Company is very well positioned to capitalise on future opportunities with its balance sheet in a solid position following completion of its oversubscribed \$21 million rights issue and the new \$140 million bank facility provided by NAB and ANZ at an attractive cost of funds.

Operating cash flows in 2019 are forecast to exceed \$45 million, which is more than adequate to service annual principal debt repayments of \$11 million before meeting any capital expenditure requirements.

With a weighted average remaining contract duration in excess of four years on 371MW of contracted capacity, the Company is in an excellent financial position, having outstanding earnings visibility. The strong capital investment in installed power stations over recent years that has followed from new contracts and contract expansions is forecast to continue generating reliable and recurring revenue streams for many years.

OUTLOOK

Further growth in the new financial year is expected to come from a full year of Contract Power and NovaPower results, organic growth from within existing contracts and new contracts that the Company aims to secure.

The Company notes that the resource industry outlook remains positive and it is confident of achieving its forecast for the 2019 financial year as well as securing new contracts that will underwrite further growth into 2020 and beyond.

Against this backdrop of increasing resource industry activity, the Company is well placed to continue successfully meeting the demands of servicing the remote power sector, both operationally and financially.

SAFETY AND STAFF

We maintain an exceptional team of dedicated professionals throughout our operations. It is most pleasing to advise that once again there were no lost time injuries during the year. We maintained a safe and harmonious workplace, with only one recordable incident for the year that required minor medical attention.

On behalf of the Board of Directors we commend and thank our team for their outstanding continuing contributions.

Cliff Lawrenson
Chairman

Jamie Cullen
Managing Director

DIRECTORS'
REPORT

For the year ended 30 June 2018

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DIRECTORS' REPORT

For the year ended 30 June 2018

The directors present their report on the consolidated entity comprising Pacific Energy Limited ("Pacific Energy" or "the company") and its controlled entities ("the Group") for the year ended 30 June 2018 and the auditor's report thereon.

1. DIRECTORS AND OFFICERS

The names and details of the company's directors in office during the financial year and until the date of this report are set out below. Directors were in office for the entire period unless otherwise stated.

M Cliff Lawrenson

Independent Non-Executive Chairman
B.Com (Hons)

Mr Lawrenson holds postgraduate qualifications in commerce and finance and has worked extensively in project development and investment banking around the world, including in Australia, USA and Singapore. Mr Lawrenson has served on several boards in international locations where he led the project development and financing of numerous major power and infrastructure projects.

Mr Lawrenson has been the Managing Director of Atlas Iron Limited since January 2017. Prior to this he held several successive managing director roles including Avenir Limited, FerrAus Limited and GRD Group Limited. Earlier in his career Mr Lawrenson spent seven years with CMS Energy Corporation (CMS) in the United States as Vice President Financial, Advisory and Strategic Planning.

During the three years prior to the end of the year, Mr Lawrenson was a director of Avenir Limited (May 2012 to January 2017) and Atlas Iron Ltd (January 2017 to date).

Mr Lawrenson was appointed Non-Executive Chairman on 23 August 2010 and is the Chair of the Remuneration Committee.

James D D Cullen

Managing Director
B Com, CA, F Fin, FAICD, AIGA, ACIS

Mr Cullen is a qualified Chartered Accountant who, prior to joining the Company, spent approximately 20 years as CEO of two ASX-listed mining services companies, each commencing in the microcap space and growing significantly in market capitalisation before being acquired under formal takeover offers.

He has extensive commercial and practical experience in growing businesses domestically and internationally, both organically and through acquisitions. Mr Cullen also has considerable financial and corporate governance experience, has served as a director of several listed companies and is a board member of two not for profit organisations.

In the ten years prior to his CEO roles, Mr Cullen was a finance executive in the motion picture industry in Los Angeles and before that was with PricewaterhouseCoopers in Australia and the USA.

During the three years prior to the end of the year, Mr Cullen was a director of Centennial Mining Ltd (formerly A1 Consolidated Gold Ltd) (May 2015 to June 2018) and Chesapeake Capital Ltd (June 2015 to date).

Mr Cullen has been a director since 1 June 2015.

Kenneth J Hall

Executive Director

Mr Hall is an electrician and founded Kalgoorlie Power Systems in 1981. Mr Hall has been involved in the mining industry for over 50 years and the contract power generation business for over 30 years.

During the three years prior to the end of the year, Mr Hall has not held any directorships in any other listed companies.

Mr Hall was appointed as a director on 8 May 2009.

DIRECTORS'
REPORT

For the year ended 30 June 2018

A Stuart Foster

Independent Non-Executive Director
B.Com, CA

Mr Foster has been involved in the financial services industry for more than 25 years. He is the founder and Chief Executive Officer of Foster Stockbroking Pty Ltd, which was established in 1991 and holds an Australian Financial Services Licence. Mr Foster has considerable experience in stockbroking encompassing equities research, dealing and advising in listed securities, as well as experience in advising companies on investment banking related matters such as raising new capital and Initial Public Offerings.

Mr Foster holds a Bachelor of Commerce degree from Canterbury University and he is a qualified Chartered Accountant. He is also an ASIC Responsible Executive and an ASIC Responsible Manager.

During the three years prior to the end of the year, Mr Foster has not held any directorships in any other listed companies.

Mr Foster is Chair of the Audit Committee, is a member of the Remuneration Committee and has been a director since 20 February 1998.

Linton J Putland

Non-Executive Director
B.Eng (Mining), MSc (Min. Economics), MAusIMM, GAICD

Mr Putland holds degrees in mining engineering (Bachelor of Engineering, Western Australian School of Mines) and a Master's in Science (Mineral Economics, Western Australian School of Mines) and has over 30 years' experience in mining operations, joint ventures and corporate management, both in Australia and overseas, over a wide range of commodities.

Mr Putland is principal of LJ Putland & Associates, a private mining consultancy company, which was founded in 2002, and provides advisory and consultancy services in project and company evaluation and due diligence appraisals with a focus on corporate growth. During this period he has also been Managing Director of a privately owned exploration company, with joint venture interests in southern Africa.

Prior to this he held corporate and senior management roles in IAMGOLD, AurionGold, Delta Gold and Pancontinental Mining.

During the three years prior to the end of the year, Mr Putland has not held any directorships in any other listed companies.

Mr Putland is a member of the Audit and Remuneration Committees and has been a director since 18 October 2016.

Michael P Kenyon

Chief Financial Officer and Company Secretary
B.Bus, CA, GAICD, CSA (Cert.)

Mr Kenyon is a Chartered Accountant and holds a Bachelor of Business degree from the Edith Cowan University. He is also a graduate member of the Australian Institute of Company Directors and has over 20 years' experience in senior Finance roles within public companies.

DIRECTORS' REPORT

For the year ended 30 June 2018

2. INTERESTS IN THE SHARES AND OPTIONS OF THE COMPANY AND RELATED BODIES CORPORATE

As at the date of this report, the interests of the directors in the shares and options of Pacific Energy Limited were:

Director	Ordinary shares	Options over ordinary shares
C Lawrenson	1,155,127	-
J Cullen	-	5,000,000
K Hall	209,267,229	-
S Foster	4,514,937	-
L Putland	-	-

3. DIRECTORS' MEETINGS

The number of directors' meetings (including meetings of committees of directors) and the number of meetings attended by each of the directors of the company during the financial year are:

Director	Board meetings		Audit Committee meetings		Remuneration Committee meetings	
	Held	Attended	Held	Attended	Held	Attended
C Lawrenson	12	12	-	-	2	2
J Cullen	12	12	2	2	-	-
K Hall	12	12	-	-	-	-
S Foster	12	12	2	2	2	2
L Putland	12	12	2	2	2	2

Held: represents the number of meetings held during the time the director held office or was a member of the relevant committee.

4. PRINCIPAL ACTIVITIES

The principal activities of the Group during the twelve months to 30 June 2018 were the investment in power generation and related infrastructure, either in operation or being assessed for future development.

5. OPERATING AND FINANCIAL REVIEW

The Group operates five electricity generation businesses:

- Kalgoorlie Power Systems, which includes the generation of electricity by diesel, gas and dual fuelled generators located at a number of mine sites across WA, NT and SA with a total contracted generation capacity of approximately 297MW;
- Pacific Energy Victorian Hydro, which includes the generation of electricity from two hydro power stations in Victoria with a combined capacity of 6MW;
- NovaPower, which owns a 10MW gas-fired power station in Traralgon, Victoria;
- Contract Power Group, which is a specialist provider of remote power generation in a "Build Own Operate" capacity in Australia with contracted capacity in Australia of 58MW as well as having undertaken EPC contracts in Australia, Africa and Asia; and
- KPS Power Africa, which is based in the Republic of South Africa, replicating Kalgoorlie Power Systems' Australian business model, with a focus on select African countries.

REVIEW OF FINANCIAL RESULTS

Consolidated entity (or Group) net profit after tax for the year ended 30 June 2018 was \$6.8 million compared with a net profit after tax of \$16.6 million for the year ended 30 June 2017. The financial results of the Group include those of Contract Power Group from 1 April 2018 and NovaPower Pty Ltd from 20 December 2017 as well as several one-off acquisition related expenses which impacted earnings as detailed in the table below.

DIRECTORS'
REPORT

For the year ended 30 June 2018

The table below provides a comparison of the key results for the year ended 30 June 2018 to the preceding year ended 30 June 2017:

Statement of profit or loss	% Change	2018 \$'000	2017 \$'000
Revenue from operations	19%	68,077	57,176
EBITDA	(23%)	31,275	40,835
Reported profit after tax attributable to members	(59%)	6,781	16,601
Underlying EBITDA (non IFRS) ¹	10%	44,105	40,019

¹ A reconciliation of Underlying EBITDA is included below.

EBITDA PERFORMANCE

Underlying EBITDA (non IFRS) for the year ended 30 June 2018 was \$44.1 million (2017: \$40.0 million). The strong growth was generated primarily from the full year impact of multi-year power contracts installed in the previous year and expansions of existing contracts. A small EBITDA contribution was also made by the Contract Power Group, which contributed earnings from 1 April 2018.

Details of adjustments and a comparison to the preceding year ended 30 June 2017 are as follows:

In thousands of AUD	2018	2017
EBITDA	31,275	40,835
Normalised for one-off items:		
Impairment of fixed and intangible assets	9,766	-
Due diligence costs	1,289	-
Stamp duty accrued on acquisition	3,500	-
EBITDA contribution of Contract Power	(1,725)	-
Profit on sale of other assets and investments	-	(816)
Underlying EBITDA (non IFRS)	44,105	40,019

FINANCIAL POSITION

The company's net assets increased by 18% compared to the prior year, primarily attributable to the company's net profit after tax of \$6.8 million and an equity raising of \$21.4 million completed in May 2018.

Property, plant and equipment increased by 40% in 2018, largely as a result of consolidating the acquisitions of Contract Power Group and NovaPower into the Company and the capital expenditure investment in new assets and refurbishment of existing assets required to complete and commission 31.5MW of new generation capacity installed by KPS during the year.

The acquisitions detailed above and capital expenditure were funded from both cash reserves and utilisation of the Company's increased bank facilities. As a result, net borrowings increased from \$27.7 million at 30 June 2017 to \$94.9 million at 30 June 2018, representing an 82% ratio of net borrowings to net tangible assets and 26% net borrowings to enterprise value.

The company's working capital position decreased compared to last financial year as a result of the higher balance of trade and other creditors at year end. Current cash and cash equivalents increased by 141% compared to the previous financial year. Trade receivables have increased by 159% compared to the previous financial year and none of the Group's customers are in arrears at 30 June 2018.

EARNINGS PER SHARE

Based on 377,608,032 weighted average ordinary shares on issue during the year ended 30 June 2018 the result represents a basic profit after tax attributable to members per share of 1.80 cents compared with a basic profit after tax attributable to members of 4.48 cents per share for the year ended 30 June 2017. This represents a 60% decrease largely as a result of the one-off expenses mentioned above. After excluding the after-tax effect of the normalising adjustments in the table above, normalised earnings per share increased 12% to 4.86 cents.

DIRECTORS' REPORT

For the year ended 30 June 2018

5. OPERATING AND FINANCIAL REVIEW (CONTINUED)

INDUSTRY AND GEOGRAPHIC EXPOSURES

The Group is exposed to the Australian mining industry and within that, predominantly exposed to the gold sector with 82% (2017: 85%) of the Group's revenues for the year ended 30 June 2018 generated from power stations located at gold projects. On a geographic basis, the Group is predominantly exposed to Western Australia, with 78% (2017: 83%) of the Group's revenue originating in that state. In June 2016 the Company established an office in the Republic of South Africa to pursue power station contracts on the African continent. No revenue was recorded for the year ended 30 June 2018.

REVIEW OF OPERATIONS

Remote Power Generation

Pacific Energy's core activity comprises the operations of the Kalgoorlie Power Systems business ("KPS") which it acquired on 8 May 2009 and Contract Power which it acquired on 24 April 2018. The businesses build, own and maintain diesel, gas, dual fuelled and hybrid power stations located at mine sites across Australia. The total contracted generation capacity is now approximately 355MW. Most of the electricity supply contracts are of long duration, with the weighted average remaining contractual life of remote power generation contracts at 30 June 2018 being greater than 4 years. In addition to owning and operating remote power stations, Contract Power also undertake select EPC power station projects.

Contract Expiry

During the period, no Electricity Supply Contracts with customers concluded.

Victorian Hydro operations

Pacific Energy owns and operates two hydro power stations, located approximately 70 kilometres from Melbourne, Victoria. These two stations have a combined power generation capacity of 6MW and have been in operation since 1992.

The power purchase agreement for Blue Rock is able to be terminated by either party with six months' notice. The company is registered as a Small Aggregated Generator in the National Electricity Market for its operations at Blue Rock Dam. The company holds a long-term power purchase agreement for its Cardinia operations. The company also holds long term water rights required to operate both the Blue Rock and Cardinia power stations.

Both the Blue Rock and Cardinia hydro power stations performed in line with budget during the 2018 financial year. Renewable energy generation by Cardinia and Blue Rock totalled 8.6GWh (2017: 9.7GWh) and 8.6GWh (2017:10.0GWh) respectively. The generation performance of these hydro power stations is entirely dependent on water flows made available by the relevant water authority suppliers.

Significant changes in the state of affairs

In the opinion of the directors, other than as outlined in this report, there were no significant changes in the state of affairs of the Group that occurred during the financial year.

Matters subsequent to the end of the financial year

Other than the following, no other matter or circumstance has arisen since 30 June 2018 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

On 21 August 2018, the Company advised the ASX that it had been awarded a variation to install and commission a further 17MW of temporary diesel power on behalf of Mineral Resources Ltd at the Wodgina Lithium project. This variation increases the total project value to approximately \$30 million.

Likely developments

The Group will continue to pursue new power station developments in Australia and internationally, including Africa through the established operation in South Africa, as well as pursuing opportunities in the broader energy and infrastructure market.

Environmental regulation

The consolidated entity is not subject to any significant environmental regulation under Australian Commonwealth or State law.

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DIRECTORS'
REPORT

For the year ended 30 June 2018

6. DIVIDENDS

Dividends paid or shares issued through dividend reinvestment plan during the financial year were as follows:

	2018 \$'000	2017 \$'000
Final dividend for the year ended 30 June 2017 of 1.5 cents per ordinary share (2016: 1.5 cents)	5,577	5,554
Interim dividend for the year ended 30 June 2018 of 1.0 cent per ordinary share (2017: 1.0 cent)	3,715	3,708
	9,292	9,262

7. REMUNERATION REPORT – AUDITED

This report outlines the remuneration arrangements in place for directors and other key management personnel of the Group. Remuneration is referred to as compensation throughout this report.

7.1 KEY MANAGEMENT PERSONNEL INCLUDED IN THIS REPORT

Name	Position held
J Cullen	Managing Director
K Hall	Executive Director
C Lawrenson	Non-executive Director
S Foster	Non-executive Director
L Putland	Non-executive Director
M Kenyon	Chief Financial Officer & Company Secretary
R Pascoe	General Manager (KPS)
L Hodges	Managing Director (Contract Power) from 24 April 2018
A Ciupryk	Former Joint Company Secretary resigned 9 August 2017

7.2 PRINCIPLES OF COMPENSATION

Non-Executive Director remuneration policy

The Board's policy is to remunerate non-executive directors at market rates for time, commitment and responsibilities, having regard to the level of fees paid to non-executive directors by other companies of similar size in the industry.

The aggregate amount payable to all non-executive directors must not exceed the maximum annual amount approved by the company's shareholders.

Non-executive directors do not receive performance related compensation, however to create alignment with shareholders non-executive directors are encouraged to hold equity securities in the Group and may participate in the Director and Employee Share Option Plan. Directors' fees cover all main Board activities.

Non-Executive Director fees

Total compensation for all non-executive directors are set within the maximum aggregate amount approved by shareholders at the 2017 AGM, being \$350,000 per annum. Currently non-executive directors do not receive additional committee fees or other payments for additional services outside the scope of Board and committee duties apart from the Chair of the Audit Committee who receives an additional fee in recognition of the additional time commitment involved, and the Chairman of the Board, Mr Lawrenson, who is entitled to consulting fees of \$2,500 per day for extra exertion services as engaged from time to time.

The total remuneration paid to each non-executive director during the year is set out in this report.

In addition to these fees, non-executive directors are entitled to reimbursement of reasonable travel, accommodation and other expenses incurred attending meetings of the Board, committees or shareholders, or while engaged on the Group's business. Non-executive directors are not entitled to compensation or retirement benefits on termination of their directorships.

DIRECTORS' REPORT

For the year ended 30 June 2018

7. REMUNERATION REPORT – AUDITED (CONTINUED)

7.2 PRINCIPLES OF COMPENSATION (CONTINUED)

Non-Executive Director Fees (continued)

Board fees are not paid to the Managing Director, as the time spent on Board work and the responsibilities of Board membership are considered in determining the remuneration package provided as part of their normal employment conditions.

Executive remuneration policy

Compensation levels for executives of the Group are competitively set to attract and retain appropriately qualified and experienced executives. The compensation structures explained below are designed to attract suitably qualified candidates, reward the achievement of strategic objectives, and achieve the broader outcome of creation of value for shareholders.

The compensation structures take into account:

- The capability and experience of the executive;
- The executive's ability to control the relevant segment's performance; and
- The Group's performance including:
 - The Group's earnings; and
 - The growth in share price and delivering constant returns on shareholder wealth.

Compensation packages include a mix of fixed and variable compensation, and long-term incentives. In considering the Group's performance and returns on shareholder wealth, the Board has regard to the following indicators of performance in respect of the current financial year and the previous four financial years:

	2018	2017	2016	2015	2014
Underlying EBITDA (non IFRS) (\$'000)	44,105	40,019	36,750	30,832	34,380
Dividend per share (cents) ¹	1.0	2.5	2.5	2.5	2.5
Change in share price (\$)	(0.14)	0.25	0.06	(0.07)	0.10

¹ Dividends include dividends declared after year end.

Fixed compensation

Fixed compensation consists of base compensation (which is calculated on a total cost basis and includes any Fringe Benefits Tax charges related to employee benefits), as well as employer contributions to superannuation funds. Compensation levels are reviewed annually by the Board through a process that considers individual, segment and overall performance of the Group.

Performance linked compensation

Performance linked compensation includes short-term incentives and is designed to reward key management personnel for meeting or exceeding their financial and personal objectives. The short-term incentive (STI) is an 'at risk' bonus provided in the form of cash or shares that is paid upon the achievement of pre-determined key performance indicators set by the Board. The objective of this form of reward is to align the behaviour of executives to maximise shareholder value. The Remuneration Committee is responsible for determining the achievement of targets and assessing as to whether a bonus amount is paid. STI payments to Key Management Personnel during the 2018 financial year were based on achieving strategic and/or business objectives. Performance evaluations of senior executives have taken place during the reporting period in accordance with the process disclosed above.

STI bonus for 2018 financial year – performance indicators

Feature	Description
Maximum opportunity	20% of fixed remuneration for MD and other executives
Performance indicators	Achievement of FY18 Business Plan agreed with the Board
Delivery of STI	The STI award is paid in cash at the end of the financial year
Board discretion	The Board has discretion to adjust remuneration outcomes up or down to prevent any inappropriate reward outcomes

Performance based remuneration granted and forfeited during the year

Key management Personnel	2018 Total STI bonus		
	Total opportunity %	Awarded %	Forfeited %
J Cullen	100,000	100%	-
M Kenyon ¹	20,000	n/a	n/a

¹ Discretionary bonus paid to the CFO.

Share based compensation

The long-term incentive (LTI) is provided as options over ordinary shares of the company. The objective of this form of reward is to align the behaviour of executives to maximise shareholder value. The options vest on completion of a specified service period.

Employment contracts of key management personnel

Key management personnel have authority and responsibility for planning, directing and controlling the activities of the company and the Group, including directors of the company and other executives. A summary of the agreements are set out below:

J Cullen, Managing Director

- Term of agreement – commenced 1 June 2015 with indefinite duration;
- Base salary of \$495,000 per annum inclusive of superannuation;
- Annual cash bonus payment of up to 20% of base salary upon the achievement of Key Performance Indicators to be agreed with the Board.
- Share options as detailed in this Remuneration report;
- Is capable of termination by both parties on six months' notice; and
- The agreement may be terminated for serious misconduct, in which case the company is not required to pay compensation.

K Hall, Executive Director

- Term of agreement – commenced 8 May 2009 with indefinite duration;
- Consulting fees of \$240,000 per annum;
- Base directors fees of \$45,000 per annum exclusive of superannuation; and
- Is capable of immediate termination by mutual agreement of the parties.

M Kenyon, Chief Financial Officer & Company Secretary

- Term of agreement – commenced 23 May 2016 with indefinite duration;
- Consulting fees payable on a day rate basis at \$1,250 per day;
- Is capable of termination by both parties on one months' notice; and
- The agreement may be terminated for serious misconduct, in which case the company is not required to pay compensation.

R Pascoe, General Manager KPS (commenced 10 May 2017)

- Term of agreement – commenced 10 May 2017 with indefinite duration;
- Base salary of \$300,000 per annum exclusive of superannuation;
- Annual cash bonus payment of up to 20% of base salary upon the achievement of Key Performance Indicators to be agreed with the Managing Director;
- Share options as detailed in this Remuneration report;
- Is capable of termination by both parties on three months' notice; and
- The agreement may be terminated for serious misconduct, in which case the company is not required to pay compensation.

L Hodges, Managing Director Contract Power (commenced 24 April 2018)

- Term of agreement – commenced 24 April 2018 with a duration of 2 years or such other period as otherwise agreed between the parties;
- Consulting fees payable on a day rate basis at \$1,800 per day;
- Share options as detailed in this Remuneration report;
- Is capable of termination by both parties on six months' notice; and
- The agreement may be terminated for breach of any term of the agreement, in which case the company is not required to pay compensation.

DIRECTORS' REPORT

For the year ended 30 June 2018

7. REMUNERATION REPORT – AUDITED (CONTINUED)

7.3 DIRECTORS' AND KEY MANAGEMENT PERSONNEL'S REMUNERATION

Details of the nature and amount of each major element of remuneration of each director of the company and key management personnel for the year ended 30 June 2018:

In AUD		Salary & fees \$	Short-term Cash bonus \$	Non-monetary \$	Post-employment Super-annuation \$	Other long-term benefits Long service leave \$	Share-based payments Options \$	Termination payments \$	Total \$	Performance related %
Non-Executive Directors										
C Lawrenson	2018	100,000	-	-	9,500	-	-	-	109,500	-
	2017	85,000	-	-	8,075	-	-	-	93,075	-
S Foster	2018	75,000	-	-	7,125	-	-	-	82,125	-
	2017	55,000	-	-	5,225	-	-	-	60,225	-
L Putland	2018	65,000	-	-	6,175	-	-	-	71,175	-
	2017	31,558	-	-	2,998	-	-	-	34,556	-
Executive Directors										
J Cullen	2018	430,523	100,000	-	26,400	-	30,189	-	587,112	17.0%
	2017	480,023	99,000	-	26,400	-	83,900	-	689,323	14.4%
K Hall	2018	285,000	-	-	4,275	-	-	-	289,275	-
	2017	285,000	-	-	4,275	-	-	-	289,275	-
Executives										
M Kenyon (CFO & Joint Company Secretary)	2018	164,438	20,000	-	-	-	-	-	184,438	10.8%
	2017	138,211	-	-	-	-	-	-	138,211	-
R Pascoe (GM, KPS)	2018	319,262	-	-	28,500	-	68,133	-	415,895	-
	2017	47,120	-	-	4,129	-	11,356	-	62,605	-
L Hodges (MD, Contract Power)	2018	84,600	-	-	-	-	18,750	-	103,350	-
	2017	-	-	-	-	-	-	-	-	-
Former										
A Ciupryk (Joint Company Secretary)	2018	-	-	-	3,616	-	-	113,272	116,888	-
	2017	12,082	45,662	-	4,338	-	55,149	-	117,231	39.0%
L Rozman (Non-Executive Director)	2018	-	-	-	-	-	-	-	-	-
	2017	12,483	-	-	-	-	-	-	12,483	-
G Dick (Non-Executive Director)	2018	-	-	-	-	-	-	-	-	-
	2017	-	-	-	-	-	-	-	-	-
D Manning (GM, KPS)	2018	-	-	-	-	-	-	-	-	-
	2017	177,143	42,500	-	29,331	-	(63,479)	101,935	287,430	14.8%
Total	2018	1,523,823	120,000	-	85,591	-	117,072	113,272	1,959,758	6.1%
Total	2017	1,323,620	187,162	-	84,771	-	86,926	101,935	1,784,414	10.5%

DIRECTORS'
REPORT

For the year ended 30 June 2018

Notes in relation to the table of directors' and executives' remuneration

1. Mr Hodges was appointed on 24 April 2018;
2. Mr Kenyon was appointed on 23 May 2016;
3. Mr Pascoe was appointed on 10 May 2017;
4. Ms Ciupryk was on parental leave from 22 May 2016 and resigned as company secretary on 9 August 2017;
5. Mr Manning resigned on 17 February 2017;
6. Mr Dick was not entitled to directors' fees from the company in his role as Alternate Director for Mr Louis Rozman;
7. Mr Rozman and Mr Dick resigned as Executive Directors on 11 October 2016; and
8. The fair value of the options is calculated at the date of grant using the Black-Scholes option-pricing model and allocated to each reporting period evenly over the period from grant date to vesting date. The value disclosed is the portion of the fair value of the options recognised in this reporting period.

7.4 EQUITY INSTRUMENTS

All options refer to options over ordinary shares of Pacific Energy Limited, which are exercisable on a one-for-one basis under the Director and Employee Share Option Plan.

Options and rights over equity instruments granted as compensation

Details on options over ordinary shares in the company that were granted as compensation to each key management person during the reporting period and details on options that vested during the reporting period are as follows:

	Number of options	Grant date	Fair value of option at grant date (\$)	Exercise price per option (\$)	Expiry date	Vesting date	Number of options vested
J Cullen	1,000,000	14 May 2015	\$0.0629	\$0.55	2 June 2020	14 May 2016	1,000,000
	2,000,000	14 May 2015	\$0.0556	\$0.60	2 June 2020	14 May 2017	2,000,000
	2,000,000	14 May 2015	\$0.0494	\$0.65	2 June 2020	14 May 2018	2,000,000
R Pascoe	1,000,000	3 May 2017	\$0.0846	\$0.80	31 March 2021	10 May 2019	-
	1,000,000	3 May 2017	\$0.0775	\$0.90	31 March 2022	10 May 2020	-
L Hodges	2,000,000	24 April 2018	\$0.0488	\$0.80	24 April 2023	24 April 2020	-
	2,000,000	24 April 2018	\$0.0393	\$0.90	24 April 2023	24 April 2021	-

The options were provided at no cost to the recipients.

Since the end of the financial year no options over ordinary shares have been granted to key management personnel.

Modification of terms of equity-settled share-based payment transactions

No terms of equity-settled share-based payment transactions (including options and rights granted as compensation to a key management person) have been altered or modified by the issuing entity during the reporting period or the prior period.

Exercise of options granted as compensation

During the reporting period, there were no shares issued on the exercise of options previously granted as compensation.

There are no amounts unpaid on the shares issued as a result of the exercise of the options in the 2018 financial year.

Analysis of movements in options

The movement during the reporting period, by value, of options over ordinary shares in the company held by each key management person is detailed below:

	Granted in period \$(a)	Cancelled in period \$(b)	Exercised in period \$(c)	Lapsed in period \$(d)
J Cullen	-	-	-	-
R Pascoe	-	-	-	-
L Hodges	176,200	-	-	-

DIRECTORS' REPORT

For the year ended 30 June 2018

7. REMUNERATION REPORT – AUDITED (CONTINUED)

7.4 EQUITY INSTRUMENTS (CONTINUED)

Analysis of movements in options (continued)

- The value of options granted in the period is the fair value of the options calculated at grant date using the Black-Scholes option valuation model. The total value of the options granted is included in the table above. This amount is allocated to remuneration over the vesting period.
- The value of options cancelled in the period is the fair value of the options calculated at grant date using the Black-Scholes option valuation model. The total value of the options granted is included in the table above.
- The value of options exercised during the year is calculated as the market price of shares in the company as at close of trading on the date the options were exercised after deducting the price paid to exercise the option.
- The value of options that lapsed during the period represents the benefit forgone and is calculated at the date the option lapsed using the Black-Scholes option valuation model assuming the performance criteria had been achieved.

Options and rights over equity instruments

The movement during the reporting period in the number of options over ordinary shares in Pacific Energy Limited held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

	Balance at the start of the year	Granted as compensation	Exercised	Cancelled	Balance at the end of the year	Vested during the year	Vested and exercisable at the end of the year
2018							
J Cullen	5,000,000	-	-	-	5,000,000	2,000,000	5,000,000
R Pascoe	2,000,000	-	-	-	2,000,000	-	-
L Hodges	-	4,000,000	-	-	4,000,000	-	-

Movements in shares

The movement during the reporting period in the number of ordinary shares in Pacific Energy Limited held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

	Balance at the start of the year	Purchases	Received on exercise of options	Received other	Sales	Balance at the end of the year
2018						
C Lawrenson	1,020,000	-	-	135,127	-	1,155,127
S Foster	4,063,442	-	-	451,495	-	4,514,937
K Hall	184,786,912	-	-	24,480,317	-	209,267,229

No shares were issued to key management personnel during the year ended 30 June 2018.

8. OTHER TRANSACTIONS WITH KEY MANAGEMENT PERSONNELS

A director, Mr K Hall, is a director and majority shareholder of Pacific Energy Limited. KPS, a wholly owned subsidiary of the Company, has rented a workshop and office building from Mr Hall's private entity for the past 8 years. The rental agreement is based on normal commercial terms and conditions.

The Company's wholly owned subsidiary, Contract Power Australia Pty Ltd has rented a workshop and office building from a private entity of Mr L Hodges, the Managing Director of Contract Power Australia Pty Ltd. The rental agreement is based on normal commercial terms and conditions.

9. VOTING OF SHAREHOLDERS AT LAST YEAR'S ANNUAL GENERAL MEETING

Pacific Energy Limited received more than 90% of "yes" votes on its remuneration report for the 2017 financial year. The company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

This is the end of the audited remuneration report.

DIRECTORS'
REPORT

For the year ended 30 June 2018

10. SHARE OPTIONS**Unissued shares under options**

At the date of this report unissued ordinary shares of the company under option are:

Expiry date	Exercise price	Number of options
24 April 2023	\$0.80	2,000,000
24 April 2023	\$0.90	2,000,000
31 March 2021	\$0.80	1,000,000
31 March 2022	\$0.90	1,000,000
2 June 2020	\$0.55	1,000,000
2 June 2020	\$0.60	2,000,000
2 June 2020	\$0.65	2,000,000
		11,000,000

These options do not entitle the holder to participate in any share issue of the company.

SHARES ISSUED ON EXERCISE OF OPTIONS

During and since the end of the financial year, the company did not issue ordinary shares as a result of the exercise of options (there are no amounts unpaid on the shares issued).

11. INDEMNIFICATION AND INSURANCE OF DIRECTORS, OFFICERS AND AUDITORS

The company has indemnified the directors and executive officers of the company for costs incurred, in their capacity as a director or executive officer, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the company paid a premium in respect of a contract to insure the directors and executive officers of the company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor. During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

12. NON-AUDIT SERVICES

During the period BDO, the company's auditor, did not perform any non-audit services for the company.

13. LEAD AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after the director's report and forms part of the directors' report for the financial year ended 30 June 2018.

14. ROUNDING OFF

The company is of a kind referred to in ASIC Legislative Instrument 2016/191 dated 24 March 2016 and in accordance with that Legislative Instrument, amounts in the financial report and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

This report is made with a resolution of the directors:



Managing Director
Dated this 24th day of August 2018

LEAD AUDITOR'S INDEPENDENCE DECLARATION

For the year ended 30 June 2018



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Australia

DECLARATION OF INDEPENDENCE BY GLYN O'BRIEN TO THE DIRECTORS OF PACIFIC ENERGY LIMITED

As lead auditor of Pacific Energy Limited for the year ended 30 June 2018, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Pacific Energy Limited and the entities it controlled during the period.

Glyn O'Brien

Director

BDO Audit (WA) Pty Ltd

Perth, 24 August 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2018

<i>In thousands of AUD</i>	Notes	30 June 2018	30 June 2017
Revenue		68,077	57,176
Other income	3	692	852
Consumables and spare parts		(7,509)	(4,762)
Employee benefits expense	4	(11,577)	(8,594)
Business acquisition expense		(4,789)	-
Impairment of assets	6	(9,766)	35
Other expenses		(3,853)	(3,872)
Earnings before interest, tax, depreciation and amortisation		31,275	40,835
Depreciation and amortisation		(18,810)	(15,695)
Results from operating activities		12,465	25,140
Financial income		64	106
Financial expenses		(2,623)	(1,742)
Net financing expense	5	(2,559)	(1,636)
Profit before income tax		9,906	23,504
Income tax expense	7	(3,125)	(6,903)
Profit for the year		6,781	16,601
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation differences for foreign operations		(13)	(6)
Effective portion of changes in fair value of cash flow hedges, net of tax		(231)	(113)
Other comprehensive income for the year, net of income tax		(244)	(119)
Total comprehensive income for the year		6,537	16,482
Profit attributable to:			
Equity holders of the company		6,781	16,601
Profit for the year		6,781	16,601
Total comprehensive income attributable to:			
Equity holders of the company		6,537	16,482
Total comprehensive income for the year		6,537	16,482
Earnings per share:			
Basic earnings per share (cents)	18	1.80	4.48
Diluted earnings per share (cents)	18	1.80	4.48

The notes on pages 23 to 57 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

<i>In thousands of AUD</i>	Notes	30 June 2018	30 June 2017
Assets			
Cash and cash equivalents	14(a)	12,095	5,019
Trade and other receivables	12	16,357	6,312
Inventory	11	1,530	1,261
Other current assets	13	4,684	-
Current tax asset		1,942	-
Total current assets		36,608	12,592
Cash and cash equivalents	14(a)	203	103
Property, plant and equipment	8	223,992	160,011
Intangible assets	9	55,267	24,132
Total non-current assets		279,462	184,246
Total assets		316,070	196,838
Liabilities			
Trade and other payables	21	19,215	3,783
Employee benefits	16	1,307	819
Provisions	20	1,644	1,381
Current tax liabilities		-	302
Loans and borrowings	15	11,805	6,869
Total current liabilities		33,971	13,154
Loans and borrowings	15	95,196	25,892
Provisions	20	1,911	772
Employee benefits	16	628	129
Derivative financial instruments		496	265
Deferred tax liabilities	10	12,339	11,528
Total non-current liabilities		110,570	38,586
Total liabilities		144,541	51,740
Net assets		171,529	145,098
Equity			
Share capital	17	140,523	111,472
Reserves		(286)	(159)
Retained earnings		31,292	33,785
Total equity		171,529	145,098

The notes on pages 23 to 57 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2018

Attributable to equity holders of the company

<i>In thousands of AUD</i>	Share capital	Translation reserve	Hedging reserve	Option & Rights reserves	Accumulated profit / (loss)	Total equity
Balance at 1 July 2016	110,318	-	(152)	325	26,346	136,837
Total comprehensive income for the period						
Profit for the period	-	-	-	-	16,601	16,601
Foreign currency translation differences for foreign operations	-	(6)	-	-	-	(6)
Effective portion of change in FV of cash flow hedge, net of tax	-	-	(113)	-	-	(113)
Total other comprehensive income	-	(6)	(113)	-	-	(119)
Total comprehensive income for the period	-	(6)	(113)	-	16,601	16,482
Transactions with owners, recorded directly in equity						
Contributions by and distributions to owners						
Dividends paid	-	-	-	-	(9,261)	(9,261)
Share options exercised, net of transaction costs and tax	690	-	-	(102)	-	588
Issue of ordinary shares, net of transaction costs and tax	54	-	-	-	-	54
Issue of share options and rights	-	-	-	472	-	472
Share rights exercised, net of transaction costs and tax	410	-	-	(394)	-	16
Share options lapsed and written back	-	-	-	(189)	99	(90)
Total transactions with owners	1,154	-	-	(213)	(9,162)	(8,221)
Balance at 30 June 2017	111,472	(6)	(265)	112	33,785	145,098
Balance at 1 July 2017	111,472	(6)	(265)	112	33,785	145,098
Total comprehensive income for the period						
Profit for the period	-	-	-	-	6,781	6,781
Foreign currency translation differences for foreign operations	-	(13)	-	-	-	(13)
Effective portion of change in FV of cash flow hedge, net of tax	-	-	(231)	-	-	(231)
Total other comprehensive income	-	(13)	(231)	-	-	(244)
Total comprehensive income for the period	-	(13)	(231)	-	6,781	6,537
Transactions with owners, recorded directly in equity						
Contributions by and distributions to owners						
Dividends paid	-	-	-	-	(7,225)	(7,225)
Share buy back	(130)	-	-	-	-	(130)
Shares issued under DRP, net of transaction costs and tax	2,049	-	-	-	(2,049)	-
Shares issued under business combination, net of transaction costs and tax	5,379	-	-	-	-	5,379
Shares issued under rights issue, net of transaction costs and tax	21,419	-	-	-	-	21,419
Issue of share options and rights	-	-	-	453	-	453
Share rights exercised, net of transaction costs and tax	334	-	-	(336)	-	(2)
Total transactions with owners	29,051	-	-	117	(9,274)	19,894
Balance at 30 June 2018	140,523	(19)	(496)	229	31,292	171,529

The notes on pages 23 to 57 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2018

<i>In thousands of AUD</i>	Notes	30 June 2018	30 June 2017
Cash flows from operating activities			
Receipts from customers		70,422	57,503
Payments to suppliers and employees		(25,684)	(16,341)
Interest received		55	106
Interest paid		(2,493)	(1,559)
Income taxes paid		(6,379)	(4,698)
Net cash provided by operating activities	14(b)	35,921	35,011
Cash flows from investing activities			
Purchase of property, plant and equipment		(22,187)	(19,581)
Payments for the acquisition of businesses, net of cash acquired		(94,710)	-
Proceeds from the sale of property, plant and equipment		6	1
Proceeds from the sale of other assets and investments		-	2,016
Payments relating to new electricity supply contracts		(70)	(73)
Net cash used in investing activities		(116,961)	(17,637)
Cash flows from financing activities			
Proceeds from borrowings		140,307	3,166
Repayment of borrowings		(65,816)	(12,518)
Proceeds from issue of shares		21,429	600
Dividends paid		(7,225)	(9,261)
Payment for share buy back		(130)	-
Payment of transaction costs		(419)	(42)
Net cash used in financing activities		88,146	(18,055)
Net decrease in cash and cash equivalents			
Cash and cash equivalents at the beginning of the financial period		5,019	5,707
Exchange rate movements		(30)	(7)
Current cash and cash equivalents at the end of the financial period	14(a)	12,095	5,019

The notes on pages 23 to 57 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2018

1. REPORTING ENTITY

Pacific Energy Limited ("the company") is a company domiciled in Australia. The company is a for-profit entity and the address of the company's registered office is 338 Gngalara Road, Landsdale, WA 6065. The consolidated financial statements of the company as at and for the twelve months ended 30 June 2018 comprise the company and its subsidiaries (together referred to as the "Group" and individually as "Group entities") and the Group's interest in associates and jointly controlled entities. The Group is primarily involved in the management, operation and development of electricity generation facilities.

2. OPERATING SEGMENTS

The Group has one reportable segment, Remote Power Generation, which includes the generation of electricity by diesel, gas and dual fuelled generators located at a number of mine sites across WA, NT and SA. This is the Group's sole strategic business unit and the operating segment is based on the internal reports that are reviewed and used by the Group's Managing Director (who is identified as the Chief Operating Decision Maker ('CODM')) on at least a quarterly basis to assess performance and to determine the allocation of resources.

Other operations include Hydro Power Generation and Peaking Power Generation which do not meet any of the quantitative thresholds for determining reportable segments in 2018.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment earnings before interest, income tax, depreciation and amortisation as included in the internal management reports that are reviewed by the Group's Managing Director. Segment earnings before interest, income tax, depreciation and amortisation is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

INFORMATION ABOUT REPORTABLE SEGMENTS

<i>In thousands of AUD</i>	Remote Power Generation		Other		Intersegment eliminations/unallocated		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
External revenues	66,080	56,194	1,997	982	-	-	68,077	57,176
EBITDA ¹	38,026	42,906	637	451	(7,387)	(2,522)	31,276	40,835
Interest income	58	96	2	4	3	6	63	106
Finance costs	(2,613)	(1,735)	-	-	(10)	(7)	(2,623)	(1,742)
Depreciation and amortisation	(18,094)	(15,362)	(701)	(319)	(15)	(14)	(18,810)	(15,695)
Profit before income tax	17,377	25,905	(62)	136	(7,409)	(2,537)	9,906	23,504
Income tax expense	(5,181)	(7,795)	18	(41)	2,038	933	(3,125)	(6,903)
Capital expenditure	(22,993)	(19,671)	(36)	(8)	(2)	(55)	(23,031)	(19,734)

¹ Unallocated EBITDA includes the following; Business acquisition costs (\$4.8 million), Director fees (\$0.3 million) and other head office costs (\$2.3 million).

MAJOR CUSTOMERS

Revenues from four customers in the KPS Power Generation segment represents approximately 57% (2017: 66% from four customers) of the Group's total revenues (each customer greater than 10% individually).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2018

2. OPERATING SEGMENTS (CONTINUED)

Accounting Policy: Operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Maker ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components.

Segment results that are reported to the CODM include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

3. OTHER INCOME

<i>In thousands of AUD</i>	2018	2017
Gain on other assets and investments	-	816
Sale of fuel	43	-
Fuel tax credits	401	-
Grant income	41	-
Other income	207	36
	692	852

4. EMPLOYEE BENEFITS EXPENSE

<i>In thousands of AUD</i>	Notes	2018	2017
Wages and salaries		9,802	7,050
Employment related taxes and insurances		624	403
Contributions to defined contribution plans		505	380
Equity-settled share-based payment transactions	19	453	439
Other employment related expenses		75	99
Increase/ (decrease) in leave liabilities		118	223
		11,577	8,594

5. FINANCE INCOME AND FINANCE COSTS

RECOGNISED IN PROFIT OR LOSS

<i>In thousands of AUD</i>	2018	2017
Interest income on bank deposits	63	106
Interest expense on financial liabilities measured at amortised cost	(2,492)	(1,559)
Unwinding of discount on decommissioning cost provision	(36)	(31)
Other finance costs	(94)	(152)
Net finance costs recognised in profit or loss	(2,559)	(1,636)
The above finance income and finance costs include the following interest income and expense in respect of assets (liabilities) not at fair value through profit or loss:		
Total interest income on financial assets	63	106
Total interest expense on financial liabilities	(2,623)	(1,742)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2018

Accounting Policy: Finance income and finance costs

Finance income comprises interest income on funds invested (including available-for-sale financial assets). Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense on borrowings and unwinding of the discount on provisions. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

6. IMPAIRMENT EXPENSE

<i>In thousands of AUD</i>	2018	2017
Impairment of financial assets	-	(35)
Impairment of property, plant and equipment ¹	8,985	-
Impairment of intangible assets ²	781	-
Total impairment expense	9,766	(35)

¹ As a result of the Company's annual review of its property plant and equipment for impairment, idle and slow-moving assets of approximately \$9.0m were identified and a non-cash, impairment expense has been recognised.

² During the year, Kalgoorlie Power Systems (KPS) received notice from Newmont Mining Services Pty Ltd that it had been unsuccessful in its tender for the electricity supply requirements at Newmont's Tanami operations expected to commence from 1st January 2019. An impairment was raised for the balance of the customer relationship intangible asset with Newmont, which originated from Pacific Energy's acquisition of KPS in 2009.

7. INCOME TAX EXPENSE

<i>In thousands of AUD</i>	2018	2017
Current tax expense		
Current period	3,877	4,583
Adjustments for prior periods	61	(832)
	3,938	3,751
Deferred tax expense		
Origination and reversal of temporary differences	(568)	2,230
Adjustments for prior periods	(245)	922
	(813)	3,152
Total income tax expense	3,125	6,903
Numerical reconciliation between tax expense and pre-tax net profit		
Profit for the period before tax	9,906	23,504
Income tax using the company's domestic tax rate of 30% (2017: 30%)	2,972	7,051
Non-deductible / (assessable) items	(183)	29
Adjustments to tax bases as a result of joining tax consolidated group	393	-
Effect of lower rate of tax on overseas income	128	124
Capital (profits) / losses not subject to income tax	-	(391)
Under / (over) provision in respect of prior years	(184)	90
Aggregate income tax expense	3,125	6,903

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2018

7. INCOME TAX EXPENSE (CONTINUED)

INCOME TAX RECOGNISED DIRECTLY IN EQUITY

<i>In thousands of AUD</i>	2018			2017		
	Before tax	Tax (expense) benefit	Net of tax	Before tax	Tax (expense) benefit	Net of tax
Share transaction costs	(56)	17	(39)	(24)	7	(17)
Income tax on income and expense recognised directly in equity	(56)	17	(39)	(24)	7	(17)

INCOME TAX RECOGNISED IN OTHER COMPREHENSIVE INCOME

<i>In thousands of AUD</i>	2018			2017		
	Before tax	Tax (expense) benefit	Net of tax	Before tax	Tax (expense) benefit	Net of tax
Foreign currency translation differences for foreign operations	(18)	-	(18)	(6)	-	(6)
Cash flow hedges	229	-	229	(113)	-	(113)
	211	-	211	(119)	-	(119)

Accounting Policy: Income tax

Income tax expense comprises current and deferred tax. Current and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2018

8. PROPERTY, PLANT AND EQUIPMENT

<i>In thousands of AUD</i>	Power generation assets	Land & buildings	Office equipment	Total
Cost				
Balance at 1 July 2016	196,496	13,038	594	210,128
Additions	19,536	31	94	19,661
Disposals	(24)	-	-	(24)
Balance at 30 June 2017	216,008	13,069	688	229,765
Balance at 1 July 2017	216,008	13,069	688	229,765
Additions	22,903	1	26	22,930
Business combination	67,298	-	-	67,298
Disposals	(76)	-	-	(76)
Balance at 30 June 2018	306,133	13,070	714	319,917
Depreciation and impairment losses				
Balance at 1 July 2016	(54,536)	(451)	(266)	(55,253)
Depreciation for the period	(14,179)	(266)	(81)	(14,526)
Accumulated depreciation on assets disposed	25	-	-	25
Balance at 30 June 2017	(68,690)	(717)	(347)	(69,754)
Balance at 1 July 2017	(68,690)	(717)	(347)	(69,754)
Depreciation for the period	(16,912)	(265)	(83)	(17,260)
Impairment for the period (Note 6)	(8,986)	-	-	(8,986)
Accumulated depreciation on assets disposed	75	-	-	75
Balance at 30 June 2018	(94,513)	(982)	(430)	(95,925)
Carrying amounts				
At 1 July 2016	141,960	12,587	328	154,875
At 30 June 2017	147,318	12,352	341	160,011
At 1 July 2017	147,318	12,352	341	160,011
At 30 June 2018	211,620	12,088	284	223,992

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2018

8. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Accounting Policy: Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, the costs of dismantling and removing the items and restoring the site on which they are located and capitalised borrowing costs. Cost also may include transfers from other comprehensive income of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within other income / (expense) in the statement of profit or loss. When revalued assets are sold, the amounts included in the revaluation reserve are transferred to retained earnings.

(ii) Subsequent costs

The cost of replacing a part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value. Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

Power generation assets comprise the plant, equipment, fixtures and fittings of the Group's wholly owned power stations. In the opinion of the directors, these assets comprise a separate class of assets.

The power generation assets have been componentised in the following categories and are being depreciated over their estimated useful lives as follows:

- Gas and diesel engines 20 years
- Instrument and control systems 20 years
- Other assets 5 to 30 years

Power generation assets of the Group require ongoing maintenance and minor / major overhaul works over time. This is managed as part of an ongoing major cyclical maintenance program. The cost of this maintenance is charged as an expense as incurred, except where the cost relates to the replacement of a component of an asset, in which case costs are capitalised and depreciated in accordance with the component classifications above. Other routine maintenance, repair costs and minor renewals are also charged as expenses as incurred.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

The estimated useful lives of other classes of assets for current and comparative periods are as follows:

- Office and equipment 2-5 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2018

9. INTANGIBLE ASSETS

<i>In thousands of AUD</i>	<i>Notes</i>	Goodwill	Electricity supply contracts	Customer relationships	Total
Cost					
Balance at 1 July 2016		22,080	22,038	6,897	51,015
Additions		-	73	-	73
Balance at 30 June 2017		22,080	22,111	6,897	51,088
Balance at 1 July 2017		22,080	22,111	6,897	51,088
Additions		-	102	-	102
Business combination		26,305	7,058	-	33,363
Balance at 30 June 2018		48,385	29,271	6,897	84,553
Amortisation and impairment losses					
Balance at 1 July 2016		(899)	(19,963)	(4,925)	(25,787)
Amortisation for the period		-	(652)	(517)	(1,169)
Balance at 30 June 2017		(899)	(20,615)	(5,442)	(26,956)
Balance at 1 July 2017		(899)	(20,615)	(5,442)	(26,956)
Amortisation for the period		-	(1,031)	(517)	(1,549)
Impairment for the period (Note 6)		-	-	(781)	(781)
Balance at 30 June 2018		(899)	(21,647)	(6,740)	(29,286)
Carrying amounts					
at 1 July 2016		21,181	2,075	1,972	25,228
at 30 June 2017		21,181	1,496	1,455	24,132
at 1 July 2017		21,181	1,496	1,455	24,132
at 30 June 2018		47,486	7,624	157	55,267

Accounting Policy: Intangible assets

(i) Goodwill

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised but is tested annually for impairment. Negative goodwill arising on an acquisition is recognised directly in the income statement.

(ii) Other intangible assets – electricity supply contracts, customer relationships and distribution licence

Electricity supply contracts, customer relationships and distribution licence acquired under business combinations are initially recognised at fair value at acquisition date and have finite useful lives. The recognised fair value is reduced by accumulated amortisation and accumulated impairment losses.

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in profit or loss as incurred. Development activities involve a plan or design for the production of new or substantially improved products and processes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2018

9. INTANGIBLE ASSETS (CONTINUED)

ACCOUNTING POLICY: INTANGIBLE ASSETS (CONTINUED)

(ii) Other intangible assets - electricity supply contracts, customer relationships and distribution licence (continued)

Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalised includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use, and capitalised borrowing costs. Other development expenditure is recognised in profit or loss as incurred. Capitalised development expenditure is measured at cost less accumulated amortisation and accumulated impairment losses.

(iii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

(iv) Amortisation

Amortisation is calculated over the cost of the asset, or another amount substituted for cost, less its residual value. Amortisation is recognised in profit or loss based on a systematic basis of consumption of the future economic benefit anticipated. Electricity supply contracts are amortised over the anticipated term of each contract. The term of each electricity supply contract is different and varies from one month through to 15 years. Customer relationships are amortised over the anticipated life of mine to which the contract relates. The length of each customer relationship is different and varies from 9 to 11 years. Goodwill is not amortised.

Amortisation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

AMORTISATION AND IMPAIRMENT CHARGE

Amortisation of intangible assets is recognised in depreciation and amortisation expense on the statement of profit or loss. Impairment of intangible assets is recognised in impairment expense on the statement of profit or loss.

GOODWILL

For the purposes of impairment testing, goodwill is allocated to the Group's cash generating units ("CGU") which represent the lowest level within the Group at which goodwill is monitored for internal management purposes, which is not higher than the Group's operating segments as reported in Note 2.

(v) Critical accounting estimates and judgements

The recoverable amount of goodwill and other intangibles has been calculated using a number of estimates and judgements as disclosed below.

IMPAIRMENT TESTING FOR CASH-GENERATING UNITS CONTAINING GOODWILL

The aggregate carrying amounts of goodwill allocated to each unit are as follows:

<i>In thousands of AUD</i>	2018	2017
Remote Power Generation	47,486	21,181
	47,486	21,181

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2018

REMOTE POWER GENERATION

The recoverable amount of the Remote Power Generation cash-generating unit was based on its value in use. The recoverable amount of the unit was determined to be higher than its carrying value and as such no impairment loss was recognised.

Value in use was determined by discounting the future cash flows generated from the continuing use of the cash-generating unit. The calculation of the value in use was based on the following key assumptions:

- Cash flows were projected based on past experience, actual operating results and the budget for the financial year ended 30 June 2018. Cash flows beyond this period have been extrapolated using a constant growth rate of 2.1% per annum as a proxy for CPI indexation;
- The useful life of the CGU has been estimated as 12 years, being the average remaining life of generators currently installed;
- Operating costs have been estimated as a percentage of sales; and
- A pre-tax discount rate of 11.0% (2017: 10.8%) was applied in determining the recoverable amount of the unit. The discount rate was estimated based on past experience, and industry average weighted average cost of capital, which was based on the midpoint of a possible range of debt leveraging of 42.5% at an interest rate of 4.5%.

The values assigned to the key assumptions represent management's assessment of future trends in the remote power generation industry and are based on both external sources and internal sources (historical data). Management believes that reasonable changes in the key assumptions on which the recoverable amount of the Remote Power Generation cash-generating unit was based would not cause the cash-generating unit's carrying amount to exceed its recoverable amount.

10. DEFERRED TAX ASSETS AND LIABILITIES

UNRECOGNISED DEFERRED TAX ASSETS

Deferred tax assets have not been recognised in respect of the following items:

<i>In thousands of AUD</i>	2018	2017
Capital losses	1,252	1,252
	1,252	1,252

The capital losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of the capital losses because it is not probable that future capital gains will be available against which the Group can utilise the benefits therefrom.

RECOGNISED DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and liabilities are attributable to the following:

<i>In thousands of AUD</i>	Assets		Liabilities		Net	
	2018	2017	2018	2017	2018	2017
Trade and other receivables	-	1	(4)	(7)	(4)	(6)
Property, plant and equipment	-	-	(13,561)	(11,641)	(13,561)	(11,641)
Other investments	-	-	-	-	-	-
Trade and other payables	2,867	965	-	-	2,867	965
Intangible assets	-	-	(2,333)	(885)	(2,333)	(885)
Business related costs	130	39	-	-	130	39
Tax loss carry-forwards	562	-	-	-	562	-
Tax assets / (liabilities)	3,559	1,005	(15,898)	(12,533)	(12,339)	(11,528)
Set-off DTA / DTL	(3,559)	(1,005)	3,559	1,005	-	-
Net tax liabilities	-	-	(12,339)	(11,528)	(12,339)	(11,528)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2018

10. DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

MOVEMENT IN TEMPORARY DIFFERENCES DURING THE YEAR

<i>In thousands of AUD</i>	Balance 1 July 2016	Recognised in profit or loss	Recognised directly in equity	Acquired in a business combination	Balance 30 June 2017	Recognised in profit or loss	Recognised directly in equity	Acquired in a business combination	Balance 30 June 2018
Trade and other receivables	(1)	(5)	-	-	(6)	(4)	-	-	(10)
Property, plant and equipment	(7,896)	(3,744)	-	-	(11,640)	(1,915)	-	-	(13,555)
Other investments	(264)	264	-	-	-	-	-	-	-
Trade and other payables	923	42	-	-	965	1,641	-	261	2,867
Impairment charge	-	-	-	-	-	-	-	-	-
Intangible assets	(1,214)	329	-	-	(885)	669	-	(2,117)	(2,333)
Business related costs	49	(35)	24	-	38	68	24	-	130
Tax loss carry-forwards	1	(1)	-	-	-	562	-	-	562
	(8,402)	(3,150)	24	-	(11,528)	1,021	24	(1,856)	(12,339)

MOVEMENT IN UNRECOGNISED DEFERRED TAX ASSETS AND LIABILITIES DURING THE YEAR

<i>In thousands of AUD</i>	Balance 1 July 2016	Additions	Recognition	Balance 30 June 2017	Additions	Recognition	Balance 30 June 2018
Revenue losses	-	-	-	-	2,437	(562)	1,875
Capital losses	1,252	-	-	1,252	-	-	1,252
	1,252	-	-	1,252	2,437	(562)	3,127

Accounting Policy: Income tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2018

11. INVENTORIES

<i>In thousands of AUD</i>	2018	2017
Oil and spare parts held for use – cost	1,113	1,261
Diesel fuel – cost	417	-
	1,530	1,261

During the year to 30 June 2018, changes to the levels of oil and spare parts held for use recognised as cost of sales amounted to \$269,000 (2017: \$508,000). There were no write-downs of inventories during the year.

Accounting Policy: Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in, first-out principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. Cost also may include transfers from other comprehensive income of any gain or loss on qualifying cash flow hedges of foreign currency purchases of inventories.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

12. TRADE AND OTHER RECEIVABLES

<i>In thousands of AUD</i>	2018	2017
Current		
Trade receivables	12,230	6,090
GST receivable	3,200	
Other receivables and prepayments	927	222
	16,357	6,312

Critical accounting judgements and estimates: Provision for impairment of receivables

Current other receivables are non-interest bearing and generally on 30-day terms. Trade and other receivables are assessed for recoverability based on the underlying terms of the contract. The provision for impairment of receivables assessment requires a degree of estimation and judgement. The level of provision is assessed by taking into account the specific knowledge of the individual debtors' financial position. A provision for impairment is recognised when there is objective evidence that an individual trade or other receivable is impaired.

Credit risk

The Group's exposure to credit risk is influenced mainly by the individual credit characteristics of each customer. Approximately 57% of the Group's revenue from electricity generation is attributable to sales transactions with four customers (each individually greater than 10%) (2017: 66% from four customers). 100% of revenue from electricity generation is attributable to Australia.

The Group's maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:

<i>In thousands of AUD</i>	Carrying amount	
	2018	2017
Australia	12,230	6,090

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2018

12. TRADE AND OTHER RECEIVABLES (CONTINUED)

CREDIT RISK (CONTINUED)

The following table details the Group's trade and other receivables exposed to credit risk with ageing analysis and impairment provided for thereon. Amounts are considered as "past due" when the debt has not been settled, with the terms and conditions agreed between the Group and the customer or counterparty to the transaction. Receivables that are past due are assessed for impairment by ascertaining solvency of the debtors and are provided for where there are specific circumstances indicating that the debt may not be fully repaid to the Group.

The balances of receivables that remain within initial trade terms (as detailed in the table) are considered to be of high credit quality.

<i>In thousands of AUD</i>	Gross amount	Past due and impaired	Past due but not impaired				Within initial trade terms
			<30	31-60	61-90	>90	
2018							
Trade and term receivables	12,230	-	168	24	-	-	12,038
Other receivables	4,127	-	-	-	-	-	4,127
Total	16,357	-	168	24	-	-	16,165
2017							
Trade and term receivables	6,090	-	-	-	-	-	6,090
Other receivables	222	-	-	-	-	-	222
Total	6,312	-	-	-	-	-	6,312

13. OTHER CURRENT ASSETS

<i>In thousands of AUD</i>	2018	2017
Capital work in progress	4,634	-
Investment in listed shares	50	-
	4,684	-

14(A). CASH AND CASH EQUIVALENTS

<i>In thousands of AUD</i>	2018	2017
Current		
Bank balances	12,095	5,019
Non-current		
Bank balances ¹	203	103
Total cash	12,298	5,122

¹ Non current bank balances consists of a restricted cash balance of \$203,000 at 30 June 2018 (2017: \$103,000), comprising a bank guarantee.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2018

14(B). RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

<i>In thousands of AUD</i>	2018	2017
Cash flows from operating activities		
Profit for the period	6,781	16,601
Adjustment for:		
Depreciation	17,190	14,455
Gain on sale of property, plant & equipment	(5)	-
Amortisation of intangible assets	1,620	1,240
Gain on sale of other assets and investments	-	(816)
Impairment of assets	9,766	(35)
Other financing costs	94	152
Unwind discount on provision for decommissioning costs	37	31
Employee share and option expense	453	439
Operating profit before changes in working capital and provisions	35,936	32,607
Change in inventories	293	(508)
Change in trade and other receivables	(10,916)	292
Change in trade and other payables	14,527	731
Change in employee entitlements	117	225
Change in income and deferred tax balances	(4,036)	2,204
Net cash from operating activities	35,921	35,011

15. LOANS AND BORROWINGS

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Group's exposure to interest rate, foreign currency and liquidity risk, see Note 22.

<i>In thousands of AUD</i>	2018	2017
Current liabilities		
Secured bank loan	10,635	5,850
Hire purchase facility	1,170	1,019
	11,805	6,869
Non-current liabilities		
Secured bank loan	94,107	23,901
Hire purchase facility	1,089	1,991
	95,196	25,892
	107,001	32,761

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2018

15. LOANS AND BORROWINGS (CONTINUED)

TERMS AND DEBT REPAYMENT SCHEDULE

Terms and conditions of outstanding loans were as follows:

<i>In thousands of AUD</i>	Nominal interest rate	Year of maturity	Face value	2018 Carrying amount	Face value	2017 Carrying amount
Facility A	BBSY ¹ +1.1%	2021	80,000	79,765	29,808	29,751
Facility B	BBSY ¹ +1.1%	2021	25,050	24,977	-	-
Facility C	BBSY ¹ +1.1%	2021	-	-	-	-
Total interest-bearing liabilities			105,050	104,742	29,808	29,751

¹ BBSY: Bank Bill Swap Bid Rate.

SECURED BANK LOAN

<i>In thousands of AUD</i>	2018	2017
Carrying amount of liability at the beginning of the period	29,751	41,980
Proceeds from drawdown of loan	139,979	-
Transaction costs	(345)	(20)
Amortisation of transaction costs	94	153
Repayments	(64,737)	(12,362)
Carrying amount of liability at the end of the period	104,742	29,751

On 26 April 2018, Pacific Energy (KPS) Pty Ltd entered into a new debt facility provided by a syndicated arrangement between Australian and New Zealand Banking Group (ANZ) and National Australia Bank (NAB). The bank loan is secured over the assets of Pacific Energy (KPS) Pty Ltd, Contract Power Australia Pty Ltd, Contract Power Assets Pty Ltd and Contract Power Land Pty Ltd.

The loan facilities provided by ANZ and NAB have a total aggregate facility limit of \$140.0 million and will be repaid in equal quarterly instalments amortising down to 60% of the original drawn amount by 26 April 2021. The loan facility consists of three individual facilities;

<i>In thousands of AUD</i>	Purpose	Limit	Term
Facility A	Facilitate the Contract Power Acquisition and refinance existing	80,000	3 years
Facility B	facilities of the Company	20,000	3 years
Facility C	Revolving multi-option credit facility for general corporate purposes	40,000	3 years
		140,000	

At 30 June 2018, \$35.0 million remained undrawn on the syndicated loan facilities (2017: \$19.0 million).

LOAN COVENANTS

Under the terms of the debt facility the Group is required to comply with the following financial covenants

- Leverage ratio of 3.00 : 1.00
- Contracted cash flow coverage ratio of at least 1.50 : 1.00
- Debt service cover ratio of not less than 1.25 : 1.00
- Tangible net worth of not less than \$100 million

The Group has complied with these covenants throughout the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2018

HIRE PURCHASE FACILITY

<i>In thousands of AUD</i>	2018	2017
Carrying amount of liability at the beginning of the period	3,010	-
Proceeds from drawdown of facilities	328	3,510
Repayments	(1,078)	(500)
Carrying amount of liability at the end of the period	2,258	3,010

The total amount drawn at 30 June 2018 was \$2.3 million (2017: \$3.0 million). The Equipment Finance Facility bears interest at a weighted average rate of 4.2% and are repayable over 3 years.

The equipment finance facilities as drawn have been used by Pacific Energy (KPS) Pty Ltd to purchase new capital equipment. The facilities are secured by the underlying financed assets.

16. EMPLOYEE BENEFITS

<i>In thousands of AUD</i>	2018	2017
Current		
Liability for annual & long service leave	1,307	819
Non-current		
Liability for long service leave	628	129
Total employee benefit liabilities	1,935	948

Accounting Policy: Employee benefits

(i) Short-term benefits

Short-term employee benefit obligations are those benefits expected to be settled within 12 months of the reporting date. They are recognised in current liabilities in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

(ii) Other long-term employee benefits

The Group's net obligation in respect of long-term employee benefits are those not expected to be settled within 12 months of the reporting date and are recognised in non-current liabilities, provided there is an unconditional right to defer settlement of the liability. The liability is measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date.

17. CAPITAL AND RESERVES

SHARE CAPITAL

<i>In thousands of AUD</i>	Number of shares ('000)		Share capital (\$'000)	
	2018	2017	2018	2017
On issue at the beginning of the period	371,788	370,102	111,472	110,318
Shares granted to employees	-	108	-	55
Cancelled under share buy back	(256)	-	(130)	-
Issued under employee share scheme or rights plan	581	578	336	412
Issued under DRP	3,953	-	2,055	-
Issued as part of business combination (Note 30)	10,000	-	5,400	-
Issued under rights issue	42,858	-	21,429	-
Share options exercised	-	1,000	-	702
Transaction costs, net of tax effect	-	-	(39)	(15)
On issue at 30 June – fully paid	428,924	371,788	140,523	111,472
Treasury Shares – Pacific Energy Limited Employee Share Trust (Note 19)	(43)	(77)	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2018

17. CAPITAL AND RESERVES (CONTINUED)

ISSUANCE OF ORDINARY SHARES

During the year, the Company issued 581,122 shares pursuant to the Pacific Energy Limited Performance Rights Plan (see Note 19).

All issued ordinary shares are fully paid. The Company has also issued share options and rights (see Note 19). The Company does not have authorised capital or par value in respect of its issued shares.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the company.

TRANSLATION RESERVE

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations as well as from the translation of liabilities that hedge the company's net investment in a foreign subsidiary.

18. EARNINGS PER SHARE

The following reflects the income used in the basic and diluted earnings per share computations:

BASIC EARNINGS PER SHARE

Profit attributable to ordinary shareholders

<i>In thousands of AUD</i>	2018	2017
Net profit from continuing operations attributable to ordinary shareholders	6,781	16,601
Net profit attributable to ordinary shareholders	6,781	16,601

Weighted average number of ordinary shares

<i>In thousands of shares</i>	2018	2017
Issued ordinary shares at the beginning of the period	371,788	370,102
Effect of shares issued	5,820	441
Weighted average number of ordinary shares at the end of the period	377,608	370,543

DILUTED EARNINGS PER SHARE

Profit attributable to ordinary shareholders (diluted)

<i>In thousands of AUD</i>	2018	2017
Net profit from continuing operations attributable to ordinary shareholders	6,781	16,601
Net profit attributable to ordinary shareholders	6,781	16,601

Weighted average number of ordinary shares (diluted)

<i>In thousands of shares</i>	2018	2017
Issued ordinary shares at the beginning of the period (basic)	371,788	370,102
Effect of shares issued in employee share scheme (basic)	5,820	441
Effect of shares issued on exercise of options (basic)	12	243
Weighted average number of ordinary shares (diluted) at the end of the period	377,620	370,786

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2018

Accounting Policy: Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise exchangeable bonds and share options granted to employees.

19. SHARE-BASED PAYMENTS

DESCRIPTION OF THE SHARE-BASED PAYMENT ARRANGEMENTS

Director and employee share option plan

Unlisted options over ordinary shares in the company are granted to key management personnel and employees as a long-term incentive component of their performance-based remuneration.

As at 30 June 2018, the following options have been issued and are outstanding:

Grant date / employees entitled	Number of instruments	Vesting conditions
Options granted to director on 14 May 2015	5,000,000	Over a period of 36 months' service
Options granted to employee on 3 May 2017	2,000,000	Over a period of 36 months' service
Options granted to contractor on 24 April 2018	4,000,000	Over a period of 36 months' service
Total share options	11,000,000	

The number and weighted average exercise prices of share options are as follows:

	Weighted average exercise price 2018	Number of options 2018	Weighted average exercise price 2017	Number of options 2017
Outstanding at the beginning of the period	\$0.68	7,000,000	\$0.62	7,000,000
Granted during the period	\$0.85	4,000,000	\$0.85	2,000,000
Exercised during the period	-	-	\$0.60	(1,000,000)
Cancelled during the period	-	-	\$0.70	(1,000,000)
Outstanding at the end of the period	\$0.74	11,000,000	\$0.68	7,000,000
Exercisable at the end of the period	\$0.61	5,000,000	\$0.58	3,000,000

The options outstanding at 30 June 2018 have exercise prices in the range of \$0.55 to \$0.90 (2017: \$0.55 to \$0.90) and a weighted average remaining contractual life of 3.2 years (2017: 3.3 years).

The fair value of services received in return for share options granted is based on the fair value of share options granted, measured using the Black-Scholes option valuation methodology with the following inputs:

Grant date	Expiry date	Fair value per option	Exercise price	Price of shares on grant date	Expected volatility	Risk free interest rate	Expected dividend yield
14 May 2015							
Tranche 1	2 June 2020	\$0.0629	\$0.55	\$0.425	38%	2.36%	5.81%
Tranche 2	2 June 2020	\$0.0556	\$0.60				
Tranche 3	2 June 2020	\$0.0494	\$0.65				
3 May 2017							
Tranche 1	31 March 2021	\$0.0846	\$0.80	\$0.670	29%	1.83%	3.40%
Tranche 2	31 March 2022	\$0.0775	\$0.90			2.12%	3.40%
24 April 2018							
Tranche 1	24 April 2023	\$0.0488	\$0.80	\$0.532	35%	2.31%	6.50%
Tranche 2	24 April 2023	\$0.0393	\$0.90			2.31%	6.50%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2018

19. SHARE-BASED PAYMENTS (CONTINUED)

DESCRIPTION OF THE SHARE-BASED PAYMENT ARRANGEMENTS (CONTINUED)

Expected volatility is estimated by considering historic average share price volatility. The options are unlisted and non-transferable, however these features were not taken into account in determining fair value.

Employee performance rights

The Company has established the Pacific Energy Limited Employee Rights Plan. The Plan is open to all eligible employees, and contractors and are granted based on past performance. The rights were granted at no cost, vest immediately and are convertible to ordinary shares at the request of the holder.

A summary of the movements of all Company performance rights on issue is as follows:

Number of performance rights in thousands	2018	2017
Balance at the beginning of the year	77	-
Performance rights granted during the year	581	578
Performance rights exercised during the year	(615)	(501)
Balance at the end of the year	43	77

During the year 581,122 shares were purchased by the employee share trust. As at 30 June 2018, there were 42,656 unallocated Pacific Energy shares in trust.

EMPLOYEE EXPENSES

In thousands of AUD	Notes	2018	2017
Performance rights issued		336	352
Shares granted		-	55
Share options granted and vesting of previously granted options		117	32
Total expense recognised as employee costs	4	453	439

CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using the Black-Scholes option valuation model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Accounting Policy: Share-based payment transactions

The Group operates an employee share scheme and a director and employee share option plan. The grant date fair value of equity instruments granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the equity instrument. The amount recognised as an expense is adjusted to reflect the number of equity instruments for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of equity instruments that do not meet the related service and non-market performance conditions at the vesting date. For equity instruments with non-vesting conditions, the grant date fair value of the equity instruments is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

When the company grants equity instruments to employees of subsidiaries, the fair value at grant date is recognised as a receivable from subsidiaries, with a corresponding increase in equity over the vesting period of the grant.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2018

20. PROVISIONS

<i>In thousands of AUD</i>	2018	2017
Current		
<i>Decommissioning and dismantling costs</i>		
At the beginning of the period	1,381	1,350
Provisions written back during the period	-	-
Reclassification from non-current	263	49
Provision used	-	(20)
Unwind of discount	-	2
Balance at the end of the period	1,644	1,381
Non-Current		
<i>Decommissioning and dismantling costs</i>		
At the beginning of the period	772	691
Provisions made during the period	742	101
Acquired in business combination	623	-
Reclassification to current	(263)	(49)
Unwind of discount	37	29
Balance at the end of the period	1,911	772

CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS: DECOMMISSIONING AND DISMANTLING COSTS

The Group assumed decommissioning and dismantling costs in relation to the obligation to remove plant and equipment located at mine sites at the conclusion of electricity supply contracts.

The provision represents the present value of the estimated cost to decommission and dismantle the plant and equipment located at mine sites. The calculation of these expected future cash flows was based on the following key assumptions:

- Cash flows were projected based on best estimates of expected future decommissioning and dismantling costs;
- A probability factor of 50% has been used to approximate the probability of a site requiring dismantling; and
- A discount rate of 4.3% was applied in determining the present value of the estimated future cash flows.

Accounting Policy: Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

21. TRADE AND OTHER PAYABLES

<i>In thousands of AUD</i>	2018	2017
Trade payables	5,894	3,194
Income received in advance	5,543	-
Accrued stamp duty	3,500	-
Non-trade payables and accrued expenses	4,278	589
	19,215	3,783

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in Note 22.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2018

22. FINANCIAL RISK MANAGEMENT

OVERVIEW

The Group's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise the potential adverse effects on financial performance of the Group.

This note presents information about the Group's exposure to each of the above risks, its objectives, policies and processes for measuring and managing risk, and the management of capital.

RISK MANAGEMENT FRAMEWORK

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. Due to the size of the Group, and its low nature of risk with respect to financial risk management, the Board is of the opinion that there is no need to establish a Risk Management Committee for developing and monitoring risk management policies.

Risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

CREDIT RISK

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers.

Management has established a credit policy under which each new customer and counterparties to transactions are analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes the use of external ratings, when available. Such monitoring is used in assessing receivables for impairment.

Risk is also minimised through investing surplus funds in financial institutions that maintain a high credit rating, or in entities that the Board has otherwise assessed as being financially sound.

Details with respect to credit risk of trade and other receivables are provided in Note 12. Trade and other receivables that are neither past due nor impaired are considered to be of high credit quality. Aggregates of such amounts are detailed in Note 12.

EXPOSURE TO CREDIT RISK

The carrying amount of the Group's financial assets represents the maximum credit exposure. The Group's maximum exposure to credit risk at the reporting date was:

<i>In thousands of AUD</i>	Notes	2018	2017
Cash and cash equivalents (minimum of A Credit Rating)	14(a)	12,298	5,122
Trade and other receivables	12	16,357	6,312
		28,655	11,434

LIQUIDITY RISK

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2018

The Group uses a forecast cash flow budget which assists it in monitoring cash flow requirements and optimising its cash return on investments. Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting arrangements:

<i>In thousands of AUD</i>	Contractual cash flows		Within 1 year		1-5 years		More than 5 years	
	2018	2017	2018	2017	2018	2017	2018	2017
Secured bank loan	(112,449)	(30,460)	(15,420)	(6,990)	(97,029)	(23,470)	-	-
Hire purchase liabilities	(2,355)	(3,282)	(1,242)	(1,022)	(1,113)	(2,260)	-	-
Trade and other payables	(19,215)	(3,783)	(19,215)	(3,783)	-	-	-	-
Interest rate swaps used for hedging	(496)	(265)	(64)	(48)	(430)	(217)	(2)	-
	(134,515)	(37,790)	(35,941)	(11,843)	(98,572)	(25,947)	(2)	-

As detailed at Note 15, the nominal interest rate applicable to the secured bank loan is BBSY +1.10%.

MARKET RISK

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

CURRENCY RISK

The group is not currently exposed to significant foreign exchange risk arising from foreign currency risk exposure. The majority of the group's transactions are denoted in Australian dollars.

INTEREST RATE RISK

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments. The Group is also exposed to earnings volatility on floating rate instruments.

The financial instruments which primarily expose the Group to interest rate risk are borrowings and cash and cash equivalents. The Group manages its exposure to changes in interest rates on borrowings by using a mix of fixed and floating rate debt, and through entering into interest rate swap transactions.

PROFILE

At the reporting date the interest rate profile of the Group's variable interest-bearing financial instruments was:

<i>In thousands of AUD</i>	Carrying amount	
	2018	2017
Variable rate instruments		
Financial assets	12,298	5,122
Financial liabilities	(107,000)	(32,848)
	(94,702)	(27,726)

CASH FLOW SENSITIVITY FOR VARIABLE RATE INSTRUMENTS

A change of 40 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2018

22. FINANCIAL RISK MANAGEMENT (CONTINUED)

INTEREST RATE RISK

Effect In thousands of AUD	Profit or loss		Equity	
	40bp increase	40bp decrease	40bp increase	40bp decrease
30 June 2018				
Variable rate instruments	(213)	213	-	-
Interest rate swap	-	-	(108)	108
Cash flow sensitivity (net)	(213)	213	(108)	108
30 June 2017				
Variable rate instruments	(122)	122	-	-
Interest rate swap	-	-	(9)	9
Cash flow sensitivity (net)	(122)	122	(9)	9

23. CAPITAL MANAGEMENT

The Board's policy is to maintain adequate capital so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Group defines as profit or loss for the period divided by total shareholders' equity.

The Group's debt and capital structure includes ordinary share capital and loans and borrowings. Management effectively manages the Group's capital by assessing the Group's financial risk and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

The Group's debt-to-adjusted capital ratio at the end of the reporting period was as follows:

In thousands of AUD	2018	2017
Total liabilities	144,540	51,738
Less: cash and cash equivalents	(12,298)	(5,122)
Net debt	132,242	46,616
Total capital	171,529	145,098
Debt-to-capital ratio at the end of the period	0.77	0.32

FAIR VALUES

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(i) Trade and other receivables and trade and other payables

Trade and other receivables and trade and other payables are short term instruments in nature whose carrying value is equivalent to fair value.

(ii) Derivatives

The fair value of interest rate swaps and forward exchange contracts are determined by discounting the estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date.

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FAIR VALUES VERSUS CARRYING AMOUNTS

The fair values of financial assets and liabilities approximate to the carrying amounts shown in the statement of financial position except as follows:

<i>In thousands of AUD</i>	2018		2017	
	Carrying amount	Fair value	Carrying amount	Fair value
Liabilities carried at amortised cost				
Secured bank loan	(104,742)	(105,050)	(29,751)	(30,460)
Hire purchase liabilities	(2,258)	(2,355)	(3,097)	(3,282)
	(107,000)	(107,405)	(32,848)	(33,742)

The fair values of non-current borrowings are based on discounted cashflows using a current borrowing rate. They are classified as level 3 fair values in the fair value hierarchy due to the use of unobservable inputs, including own credit risk.

24. DIVIDENDS

(A) DIVIDENDS NOT RECOGNISED AT YEAR END

Since the end of the financial year the Directors have not declared a final dividend (2017: 1.5 cents per fully paid ordinary share, fully franked based on a tax rate of 30%).

(B) FRANKED DIVIDENDS

The franked portions of the final dividend declared after 30 June 2018 will be franked out of existing franking credits or out of franking credits arising from the payment of income tax in the year ended 30 June 2018.

<i>In thousands of AUD</i>	2018	2017
Franking credits available for subsequent financial years based on a tax rate of 30% (2017: 30%)	11,115	6,303
	11,115	6,303

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted where applicable for:

- (i) franking credits that will arise from the payment of the amount of the provision for income tax;
- (ii) franking debits that will arise from the payment of dividends recognised as a liability at the end of each reporting period; and
- (iii) franking credits that will arise from the receipt of dividends recognised as receivables at the end of each reporting period.

The consolidated amounts include franking credits that would be available to the company if distributable profits of subsidiaries were paid as dividends.

(C) DIVIDEND REINVESTMENT PLAN

The company has established a dividend reinvestment plan under which holders of ordinary shares may elect to have all or part of their dividend entitlements satisfied by the issue of new ordinary shares rather than by being paid in cash. During the reporting period, shares are issued under the plan at a 2.5% discount to the market price (based on a 5-day VWAP after the record date).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2018

25. COMMITMENTS AND CONTINGENCIES

OPERATING LEASE COMMITMENTS

Non-cancellable operating lease rentals are payable as follows:

<i>In thousands of AUD</i>	2018	2017
Less than one year	1,188	625
Between one and five years	3,648	2,050
Later than 5 years	-	-
	4,836	2,675

The Group leases offices, workshops, storage areas and a house (accommodation for FIFO employees) under operating leases. The leases in Australia currently have terms of five years with the option to renew the lease after that date, except for the house which has a 12-month term. The leases in South Africa currently have terms of two years with the option to renew the lease after that date.

During the year ended 30 June 2018, \$0.9 million was recognised as an expense in the income statement in respect of operating leases (2017: \$0.7 million). The office, workshop, storage area and house leases are combined leases of land and buildings. Since the land title does not pass and the Group does not participate in the residual value of the building, it was determined that substantially all the risks and rewards of the building are with the landlord. As such, the Group determined that the leases are operating leases.

CAPITAL COMMITMENTS

At 30 June 2018, the Group had no capital commitments in relation to purchases of plant and equipment. .

CONTINGENCIES

At 30 June 2018, the Group does not have any contingent liabilities.

26. RELATED PARTIES

KEY MANAGEMENT PERSONNEL COMPENSATION

The key management personnel compensation is as follows:

<i>In AUD</i>	2018	2017
Short-term employee benefits	1,643,823	1,510,782
Post-employment benefits	85,591	84,771
Other long-term benefits	-	-
Share-based payments	117,072	86,926
Termination benefits	113,272	101,935
	1,959,758	1,784,414

INDIVIDUAL DIRECTORS AND EXECUTIVES COMPENSATION DISCLOSURES

Information regarding individual directors' and executives' compensation and some equity instruments disclosures as permitted by Corporations Regulations 2M.3.03 is provided in the remuneration report section of the directors' report.

Apart from the details disclosed in this note, no director has entered into a material contract with the Group since the end of the previous financial year and there were no material contracts involving directors' interests existing at year-end.

OTHER KEY MANAGEMENT PERSONNEL AND DIRECTOR TRANSACTIONS

A number of key management persons, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities.

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A number of these entities transacted with the Group in the reporting period. The terms and conditions of the transactions with key management personnel and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-key management personnel related entities on an arm's length basis.

A director, Mr K Hall, is a director and majority shareholder of Pacific Energy Limited. KPS, a wholly owned subsidiary of the Company, has rented a workshop and office building from Mr Hall's private entity for the past 8 years. The rental agreement is based on normal commercial terms and conditions.

The Company's wholly owned subsidiary, Contract Power Australia Pty Ltd has rented a workshop and office building from a private entity of Mr L Hodges, the Managing Director of Contract Power Australia Pty Ltd. The rental agreement is based on normal commercial terms and conditions.

There were no loans made to any key management personnel.

SUBSIDIARIES

All inter-company loans and receivables are eliminated on consolidation and are interest free with no set repayment terms except for a loan between Pacific Energy (KPS) Pty Ltd and Pacific Energy Limited. Management fees of \$1.5 million were paid by Pacific Energy (KPS) Pty Ltd to Pacific Energy Limited during the year ended 30 June 2018 (2017: \$1.5 million).

27. GROUP ENTITIES

Name of entity	Country of incorporation	Ownership Interests	
		2018	2017
Parent entity			
Pacific Energy Limited	Australia		
Significant subsidiaries			
Pacific Energy (Victorian Hydro) Pty Ltd	Australia	100%	100%
Pacific Energy (KPS) Pty Ltd	Australia	100%	100%
Waste Heat Recovery Systems Pty Ltd	Australia	100%	100%
NovaPower Pty Ltd	Australia	100%	-
Contract Power Australia Pty Ltd	Australia	100%	-
Contract Power Assets Pty Ltd	Australia	100%	-
Contract Power Land Pty Ltd	Australia	100%	-
KPS Power Africa (Pty) Ltd	South Africa	100%	100%
KPS Power Africa (Tanzania) Ltd	Tanzania	100%	100%
Interest in trusts			
Pacific Energy Limited Employee Share Trust	Australia	100%	100%

28. SUBSEQUENT EVENT

Other than the following, no other matter or circumstance has arisen since 30 June 2018 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

On 21 August 2018, the Company advised the ASX that it had been awarded a variation to install and commission a further 17MW of temporary diesel power on behalf of Mineral Resources Ltd at the Wodgina Lithium project. This variation increases the total project value to approximately \$30 million.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2018

29. AUDITORS' REMUNERATION

<i>In AUD</i>	2018	2017
Audit services		
Auditors of the company:		
Audit and review of financial reports	99,023	83,500
	99,023	83,500

30. PARENT ENTITY DISCLOSURES

<i>In thousands of AUD</i>	Company	
	2018	2017
Profit / (loss) for the period	(3,521)	234
Other comprehensive income	-	-
Total comprehensive income for the period	(3,521)	234
Current assets	294	584
Total assets	179,251	158,698
Current liabilities	4,040	8,351
Total liabilities	12,609	8,405
Shareholders' equity		
Share capital	140,523	111,472
Option reserve	229	112
Accumulated profit	25,890	37,709
Total shareholders' equity	166,642	150,293

GUARANTEES PROVIDED IN RELATION TO SUBSIDIARIES

Pacific Energy Limited provides a parent-company guarantee in respect of a Hire Purchase facility of \$3.1 million that was established by Pacific Energy (KPS) Pty Ltd (see Note 19).

CONTINGENT LIABILITIES AND COMMITMENTS

At 30 June 2018, the company and the group does not have any contingent liabilities, or any contractual commitments for the acquisition of property, plant or equipment.

31. BUSINESS COMBINATIONS

ACQUISITION OF NOVAPOWER

On 20 December 2017, Pacific Energy acquired 100% of the shares of NovaPower Pty Ltd for a purchase consideration of \$7.5 million adjusted for the working capital balance as at the acquisition date. NovaPower is a 10MW gas-fired generation plant in Traralgon, Victoria that operates when the spot prices of electricity exceeds the cost of acquiring gas plus an R&M allowance.

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

<i>In thousands of AUD</i>	
Cash paid – purchase price	7,500
Cash paid – working capital acquired	433
Total purchase consideration	7,933

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2018

The assets and liabilities recognised because of the acquisition are as follows:

<i>In thousands of AUD</i>	Fair Value
Cash and cash equivalents	152
Trade and other debtors	427
Plant and equipment	7,400
Trade and other payables	(47)
Net identifiable assets acquired	7,933
Goodwill	-
	<u>7,933</u>

The Consolidated Profit and Loss includes \$0.3 million of costs directly related to the NovaPower acquisition.

NovaPower contributed revenue of \$1.0 million and EBITDA of \$0.2 million to the Pacific Energy Limited Group during the period between 20 December and 30 June 2018.

<i>In thousands of AUD</i>	30 June 2018
Cash consideration – NovaPower	7,933
Cash consideration – Contract Power	87,111
Less: Balances acquired	
Cash – NovaPower	(160)
Cash – Contract Power	(174)
Net outflow of cash – investing activities	<u>94,710</u>

ACQUISITION OF CONTRACT POWER

On 1 April 2018, Pacific Energy acquired 100% of the shares of the Contract Power Group of Companies (“Contract Power”) comprising; Contract Power Australia Pty Ltd, Contract Power Assets Pty Ltd and Contract Power Land Pty Ltd for a purchase consideration of \$90.0 million adjusted for the working capital balance as at the acquisition date and movement in the PEA share price during the period of contract negotiations.

Contract Power is a specialist provider to the remote power generation sector, with over 25 years’ experience in the Australian build, own and operate (“BOO”) market as well as in the EPC market, having completed projects in Australia, Africa and Asia.

PROVISIONAL ACCOUNTING

The Group has reported provisional amounts for the assets and liabilities acquired. Details of the purchase consideration, the previously reported net assets acquired and goodwill are as follows:

<i>In thousands of AUD</i>	
Cash paid – purchase price	85,000
Equity issued – purchase price (10,000,000 shares at \$0.54)	5,400
Cash paid – working capital acquired	2,111
Total purchase consideration	<u>92,511</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2018

31. BUSINESS COMBINATIONS (CONTINUED)

The assets and liabilities recognised because of the acquisition are as follows:

<i>In thousands of AUD</i>	Fair Value
Cash and cash equivalents	174
Trade and other debtors	3,418
Inventory – fuel & parts	562
Plant and equipment	59,899
Intangible assets – customer contracts	7,058
Trade and other payables	(1,556)
Employee entitlements	(870)
Provisions	(623)
Deferred tax liability	(1,856)
Net identifiable assets acquired	66,206
Goodwill	26,305
	<u>92,511</u>

Goodwill is attributable to the profitability of the acquired business and the synergies driven by the overhead and operational savings and cross-selling activities. None of the goodwill is expected to be deductible for tax purposes.

The Consolidated Profit and Loss includes \$4.1 million of costs directly related to the Contract Power acquisition.

Contract Power contributed revenue of \$4.5 million and EBITDA of \$1.7 million to the Pacific Energy Limited Group during the period between 1 April and 30 June 2018.

Accounting Policy: Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of subsidiary comprises the:

- fair values of the assets transferred;
- liabilities incurred to the former owners of the acquired business;
- equity interests issued by the group;
- fair value of any asset or liability resulting from contingent consideration arrangement; and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the

- consideration transferred;
- amount of any non-controlling interest in the acquired entity; and
- acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired, the difference is recognised directly in profit or loss as bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which similar borrowing could be obtained from an independent financier under comparable terms and conditions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2018

Contingent consideration is classified either as equity or financial liability. Amounts classified as financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the Company's previously held equity interest in the acquired business is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

32. STATEMENT OF CROSS GUARANTEE

Pacific Energy Limited and wholly-owned operating subsidiaries as disclosed in note 27 are parties to a deed of cross guarantee under which each company guarantees the debts of the others. By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare a financial report and directors' report under ASIC Corporations (wholly-owned Companies) Instrument 2016/785.

33. BASIS OF PREPARATION

(A) STATEMENT OF COMPLIANCE

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASBs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The consolidated financial report of the Group complies with the International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB).

The consolidated financial statements were authorised for issue by the Board of Directors on 24 August 2018.

(B) NEW STANDARDS AND INTERPRETATIONS FOR CURRENT YEAR

The Group has adopted all of the new, revised or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new, revised or amended Accounting Standards and Interpretations that are not mandatory have not been early adopted.

(C) BASIS OF MEASUREMENT

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss and derivative financial instruments.

(D) FUNCTIONAL AND PRESENTATION CURRENCY

These consolidated financial statements are presented in Australian dollars, which is the company's functional currency.

(E) ROUNDING OF AMOUNTS

The company is of a kind referred to in ASIC Legislative Instrument 2016/191 dated 24 March 2016 and in accordance with that Legislative Instrument, all financial information presented in Australian dollars has been rounded to the nearest thousand unless otherwise stated.

(F) USE OF CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of financial statements in conformity with AASBs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are provision for decommissioning (Note 19), impairment of non-financial assets (note 6) and share based payment transactions (Note 18).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2018

34. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities.

(A) BASIS OF CONSOLIDATION

Subsidiaries are entities controlled by the Group. Control exists when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies have been changed where necessary to align them with the policies adopted by the Group.

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee.

Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment. Gains and losses are recognised when the contributed assets are consumed or sold by the equity accounted investees or, if not consumed or sold by the equity accounted investee, when the Group's interest in such entities is disposed of.

(B) FOREIGN CURRENCY

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the foreign exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments, a financial liability designated as a hedge of the net investment in a foreign operation, or qualifying cash flow hedges, which are recognised in other comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Australian dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Australian dollars at the average exchange rates for the period.

Foreign currency differences are recognised directly in other comprehensive income. Since 1 January 2004, the Group's date of transition to AASBs, such differences have been recognised in the foreign currency translation reserve (translation reserve or FCTR). When a foreign operation is disposed of, in part or in full, the relevant amount in the FCTR is transferred to profit or loss as part of the profit or loss on disposal.

Foreign exchange gains and losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income and are presented within equity in the FCTR.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2018

(C) FINANCIAL INSTRUMENTS

(i) Non-derivative financial assets

The Group initially recognises receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and liability and settle the asset and liability simultaneously.

The Group has the following non-derivative financial assets: receivables and cash and cash equivalents.

Receivables

Receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition receivables are measured at amortised cost using the effective interest method, less any impairment losses. Receivables comprise trade and other receivables.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less. Restricted cash balances are reflected as non-current assets on the statement of financial position.

(ii) Non-derivative financial liabilities

The Group initially recognises debt securities issued and subordinated liabilities on the date they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument. The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group has the following non-derivative financial liabilities: loans and borrowings and trade and other payables. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest rate method.

(iii) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

(iv) Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

Cash flow hedges

Cash flow hedges are used to cover the consolidated entity's exposure to variability in cash flows that is attributable to particular risks associated with a recognised asset or liability or a firm commitment which could affect profit or loss. The effective portion of the gain or loss on the hedging instrument is recognised directly in equity, whilst the ineffective portion is recognised in profit or loss. Amounts taken to equity are transferred out of equity and included in the measurement of the hedged transaction when the forecast transaction occurs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2018

34. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(C) FINANCIAL INSTRUMENTS (CONTINUED)

(iv) Derivative financial instruments (continued)

Cash flow hedges are tested for effectiveness on a regular basis both retrospectively and prospectively to ensure that each hedge is highly effective and continues to be designated as a cash flow hedge. If the forecast transaction is no longer expected to occur, the amounts recognised in equity are transferred to profit or loss.

If the hedging instrument is sold, terminated, expires, exercised without replacement or rollover, or if the hedge becomes ineffective and is no longer a designated hedge, the amounts previously recognised in equity remain in equity until the forecast transaction occurs.

(D) LEASED ASSETS

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and except for investment property, the leased assets are not recognised on the Group's statement of financial position.

(i) Financial assets including receivables

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset and can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, the disappearance of an active market for a security.

The Group considers evidence of impairment for receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

In assessing collective impairment the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such impairment exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2018

assets or groups of assets ("the cash-generating unit" ("CGU")). For the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the acquisition synergies.

The Group's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs. An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(E) REVENUE

(i) Sale of electricity

Revenue from the sale of electricity is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

Revenue is recognised once the electricity has been delivered to the customer and is measured through a regular review of usage meters. Customers are billed on a periodic and regular basis.

(ii) Construction contract revenue

Contract revenue and expenses are recognised in accordance with the percentage of completion method unless the outcome of the contract cannot be reliably estimated. For fixed price contracts, the stage of completion is measured by reference to project milestone completed to date as a percentage of the total anticipated milestones to be performed and costs incurred to date compared to the total construction contracted work.

When the outcome of the fixed price construction contract cannot be estimated reliably, revenues are recognised to the extent that costs are recoverable and costs are recognised in the period they are incurred.

(F) OTHER INCOME

Income from the provision of services, and from penalties received under customer/supplier contracts, is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the consolidated entity and it can be reliably measured.

(G) LEASE PAYMENTS

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Determining whether an arrangement contains a lease

At inception of an arrangement, the Group determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Group the right to control the use of the underlying asset. At inception or upon reassessment of the arrangement, the Group separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2018

34. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(G) LEASE PAYMENTS (CONTINUED)

Determining whether an arrangement contains a lease (continued)

If the Group concludes for a finance lease that it is impracticable to separate the payments reliably, an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Group's incremental borrowing rate.

(H) INCOME TAX

(i) Tax consolidation

The company and its wholly-owned Australian resident entities are part of a tax-consolidated group. As a consequence, all members of the tax-consolidated group are taxed as a single entity from that date. The head entity within the tax-consolidated group is Pacific Energy Limited.

Current tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the "separate taxpayer within group" approach by reference to the carrying amounts of assets and liabilities in the separate financial statements of each entity and the tax values applying under tax consolidation.

Any current tax liabilities (or assets) and deferred tax assets arising from unused tax losses of the subsidiaries are assumed by the head entity in the tax-consolidated group and are recognised by the company as amounts payable (receivable) to/(from) other entities in the tax-consolidated group in conjunction with any tax funding arrangement amounts (refer below). Any difference between these amounts is recognised by the company as an equity contribution or distribution.

The company recognises deferred tax assets arising from unused tax losses of the tax-consolidated group to the extent that it is probable that future taxable profits of the tax-consolidated group will be available against which the asset can be utilised.

Any subsequent period adjustments to deferred tax assets arising from unused tax losses as a result of revised assessments of the probability of recoverability is recognised by the head entity only.

(ii) Nature of tax funding arrangements and tax sharing arrangements

The head entity, in conjunction with other members of the tax-consolidated group, has entered into a tax funding arrangement which sets out the funding obligations of members of the tax-consolidated group in respect of tax amounts. The tax funding arrangements require payments to/from the head entity equal to the current tax liability/(asset) assumed by the head entity and any tax-loss deferred tax asset assumed by the head entity, resulting in the head entity recognising an inter-entity receivable/(payable) equal in amount to the tax liability/(asset) assumed. The inter-entity receivables/(payables) are at call.

Contributions to fund the current tax liabilities are payable as per the tax funding arrangement and reflect the timing of the head entity's obligation to make payments for tax liabilities to the relevant tax authorities.

The head entity in conjunction with other members of the tax-consolidated group, has also entered into a tax sharing agreement. The tax sharing agreement provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement as payment of any amounts under the tax sharing agreement is considered remote.

(I) GOODS AND SERVICES TAX

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the Australian Taxation Office (ATO) is included as a current asset or liability in the balance sheet.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2018

(J) NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

The AASB has issued new and amended Accounting Standards and Interpretations that have mandatory application date or future reporting periods and which the Group has decided not to early adopt. A discussion of those future requirements and their impact on the Group is as follows:

- *AASB 9 Financial Instruments*

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI'). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures. The consolidated entity will adopt this standard from 1 July 2018 and no material impact is expected.

- *AASB 15 Revenue from Contracts with Customers*

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard provides a single standard for revenue recognition.

The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgments made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The consolidated entity will adopt this standard from 1 July 2018 and no material impact is expected.

- *AASB 16 Leases*

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured as the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. The consolidated entity will adopt this standard from 1 July 2019 and make an assessment of its effect during the next 12-months.

DIRECTORS' DECLARATION

For the year ended 30 June 2018

- 1 In the opinion of the directors of Pacific Energy Limited:
 - (a) the Group's financial statements and notes set out on pages 19 to 57 are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Group's financial position as at 30 June 2018 and of its performance, for the financial period ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australia Accounting Interpretations) and the Corporations Regulations 2001 and other mandatory professional reporting requirements.
 - (b) the financial report also complies with International Financial Reporting Standards as set out in Note 2(a);
 - (c) the remuneration disclosures that are contained in the remuneration report in the directors' report comply with Australian Accounting Standard AASB 124 Related Party Disclosures, the Corporations Act 2001 and the Corporations Regulations 2001; and
 - (d) there are reasonable grounds to believe that the company will be able to pay its debts and when they become due and payable.
- 2 The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Managing Director and Chief Financial Officer for the year ended 30 June 2018.

Signed in accordance with a resolution of the directors:



Managing Director

Dated at Perth this 24th day of August 2018

INDEPENDENT
AUDIT REPORT

For the year ended 30 June 2018



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INDEPENDENT AUDITOR'S REPORT

To the members of Pacific Energy Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Pacific Energy Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of profit and loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

- (i) Giving a true and fair view of the Group's financial position as at 30 June 2018 and of its financial performance for the year ended on that date; and
- (ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDIT REPORT

For the year ended 30 June 2018



Accounting for the acquisition of Contract Power

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>As disclosed in Note 31 of the financial report, during the year the Pacific Energy Limited acquired 100% of the shares in Contract Power Australia Pty Ltd and certain other assets of related entities.</p> <p>This is a key audit matter due to the size of the acquisition, the complexities inherent in accounting for an acquisition and the significant judgements made by management, including the identification and measurement of the fair value of assets and liabilities acquired.</p>	<p>Our procedures included, but were not limited to the following:</p> <ul style="list-style-type: none">• Reviewing the purchase and sale agreements to understand the terms and conditions of the acquisitions and evaluating management's application of the relevant Australian Accounting Standards;• Obtaining an understanding of the transaction including an assessment whether the transaction constituted a business or an asset acquisition;• Comparing the assets and liabilities recognised on acquisition against the purchase and sale agreements and the historical financial information of the acquired businesses;• Assessing management's fair value estimation of the assets and liabilities identified, including assessment of independent expert valuation reports;• Assessing the competency and objectivity of the expert engaged by management; and• Assessing the appropriateness of the related disclosures in Note 31 of the financial report.

Recoverable Amount of Property Plant and Equipment and Intangible Assets

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>Note 9 to the financial report discloses the assumptions used by the Group in testing the Remote Power Generation cash generating unit (CGU) for impairment.</p> <p>This was determined to be a key audit matter as management's assessment of the recoverability of these assets are supported by a value in use cash flow forecast which requires estimates and judgements about future performance.</p>	<p>Our procedures included, but were not limited to the following:</p> <ul style="list-style-type: none">• Assessing the appropriateness of the Group's identification of CGUs and management's allocation of assets to the carrying value of CGUs based on our understanding of the Group's businesses and internal reporting;• Evaluating the methodology applied by the Group in allocating corporate assets and costs across the CGUs;• Evaluating management's ability to accurately forecast cash flows by assessing the accuracy of the historic forecasts against actual results;• Challenging key inputs used in the value in use model including the following:<ul style="list-style-type: none">• Comparing the discount rate utilised by management to those calculated by our internal valuation experts;

INDEPENDENT
AUDIT REPORT

For the year ended 30 June 2018



- Comparing growth rates with economic and industry forecasts;
- Comparing the Group's forecast cash flows to the board approved budgets;
- Performing sensitivity analysis on the key assumptions used, including future growth rates and discount rates; and
- Evaluating the adequacy of the related disclosures in Note 9 to the financial report.

Other information

The directors are responsible for the other information. The other information comprises the information contained in the Directors' Report for the year ended 30 June 2018, but does not include the financial report and our auditor's report thereon, which we obtained prior to the date of this auditor's report, and the Annual Report, which is expected to be made available to us after that date.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and will request that it is corrected. If it is not corrected, we will seek to have the matter appropriately brought to the attention of users for whom our report is prepared.

Other Matter

The financial report of the Group for the year ended 30 June 2017 was audited by another auditor who expressed an unmodified opinion on that financial report on 25 August 2017.

Responsibilities of the directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

INDEPENDENT AUDIT REPORT

For the year ended 30 June 2018



In preparing the financial report, the directors are responsible for assessing the ability of the group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (<http://www.auasb.gov.au/Home.aspx>) at:

http://www.auasb.gov.au/auditors_files/ar2.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 11 to 16 of the directors' report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of Pacific Energy Limited, for the year ended 30 June 2018, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

BDO Audit (WA) Pty Ltd

A handwritten signature in blue ink that reads 'Glyn O'Brien'. Above the signature, the letters 'BDO' are written in blue ink.

Glyn O'Brien

Director

Perth, 24 August 2018

ASX ADDITIONAL INFORMATION

For the year ended 30 June 2018

Additional information required by the Australian Stock Exchange Limited Listing Rules and not disclosed elsewhere in this report is set out below. The information is current as at 10 September 2018.

TWENTY LARGEST HOLDERS OF QUOTED EQUITY SECURITIES

Shareholder	Number of fully paid shares	Percentage of fully paid shares
Sept Pty Ltd <Hall Family Fund A/C>	200,129,635	46.66
Citicorp Nominees Pty Limited	34,903,759	8.14
HSBC Custody Nominees (Australia) Limited	31,018,363	7.23
J P Morgan Nominees Australia Limited	30,599,688	7.13
National Nominees Limited	17,738,625	4.14
Mr Leon Frederick Hodges + Ms Verity Fay Hodges <The Hodges Family No 2 A/C>	11,111,112	2.59
Mr Kenneth Joseph Hall <Hall Park A/C>	9,059,829	2.11
BNP Paribas Nominees Pty Ltd <Agency Lending DRP A/C>	8,237,056	1.92
BNP Paribas Noms Pty Ltd <DRP>	6,764,681	1.58
Cleveland Investment Global Limited	2,022,223	0.47
Horrie Pty Ltd <Horrie Superannuation>	1,879,000	0.44
E-Tech Capital Pty Ltd <ASF Super Fund A/C>	1,634,594	0.38
Botsis Super Pty Ltd <Phil & Pam Botsis S/Fund A/C>	1,388,798	0.32
Hillmorton Custodians Pty Ltd <The Lennox Unit A/C>	1,260,000	0.29
Neweconomy.Com.Au Nominees Pty Ltd <SBL Account>	1,259,988	0.29
Mr Brady Norman Hall <BJM Family A/C>	1,188,889	0.28
Mr Trevor Coulter + Staples Rodway Trustee Company Ltd <Simon Coulter No 1 A/C>	1,151,112	0.27
Equitas Nominees Pty Ltd <PB – 601584 A/C>	1,132,478	0.26
Chemco Superannuation Fund Pty Ltd (Chemco Super Fund No 2 A/C)	1,111,112	0.26
Mr Robert Constable + Mrs Janet Marie Constable <RJ Realty Provident Fund A/C>	1,055,556	0.25
Total Top 20	364,646,498	85.01

DISTRIBUTION OF EQUITY SECURITY HOLDERS

Ordinary Share Capital

428,922,968 fully paid ordinary shares are held by 2,512 individual shareholders.

All issued ordinary shares carry one vote each.

Options

11,000,000 unlisted options are held by 3 individual option holders.

Unlisted options have no voting rights.

Following is a distribution schedule of the number of holders in each class of equity securities:

Categories	Number of holders of ordinary shares	Number of holders of unquoted options
1 - 1,000	310	0
1,001 - 5,000	693	0
5,001 - 10,000	390	0
10,001 - 100,000	981	0
100,001 and over	138	3
	2,512	3

The number of shareholders holding less than a marketable parcel of ordinary shares is 251.

SUBSTANTIAL SHAREHOLDERS

The names of substantial shareholders who have notified the Company in accordance with section 671B of the Corporation Act 2001 are:

Shareholder	Note	Number of fully paid shares	Percentage of fully paid shares
Kenneth Hall	(1)	209,189,464	48.77%
IOOF Holdings Limited	(2)	45,482,912	12.22%

Note: (1) Includes Kenneth Hall controlled entities Sept Pty Ltd and Mr Kenneth Joseph Hall <Hall Park A/C>

(2) The substantial holding notice provides the relevant interests of the company's related bodies corporate.

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CORPORATE DIRECTORY

Pacific Energy Ltd

ABN 22 009 191 744

DIRECTORS

Mr M Cliff Lawrenson
Non-Executive Chairman

Mr James Cullen
CEO & Managing Director

Mr Kenneth J Hall
Executive Director

Mr A Stuart Foster
Non-Executive Director

Mr Linton Putland
Non-Executive Director

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COMPANY SECRETARY

Mr Michael Kenyon

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STOCK EXCHANGE LISTING

Australian Securities Exchange

ASX CODE: PEA

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PACIFICENERGY

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