PACIFICENERGY

Treasury Management Policy

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1. OBJECTIVE

The purpose of this treasury policy ("**Treasury Policy**" or "**Policy**") is to define the framework for managing the risks in respect of any treasury activity to be undertaken by QGIF Swan HoldCo, QGIF Swan BidCo, Pacific Energy Ltd and its subsidiaries, (collectively the "**Pacific Energy Group**") in relation to all external financing (excluding shareholder loans), liquidity, cash management and foreign exchange matters. The formalisation of such policies will enable treasury risks within the Pacific Energy Group to be adequately governed and managed.

The Pacific Energy Group wishes to minimise risk through its treasury management activity. All treasury activity must relate to the Pacific Energy Group's underlying business risk and specifically the debt profile, exposure to foreign exchange or interest rate movements as outlined in this Policy.

Treasury risks shall be managed through well-defined and documented processes and responsibilities with strict segregation of duties to achieve a high level of internal control and system and back-up processes to enable uninterrupted operations. The Chief Financial Officer will be responsible for establishing the internal processes, responsibilities and duties.

This Policy should be read in conjunction with the Shareholders' Agreement. Terms not defined in this Policy will have the meaning as defined in the Shareholders' Agreement.

This Policy should be read in conjunction with Distribution Policy, which outlines the guidelines for levels of distributions to be paid by each entity within the Pacific Energy Group.

The Treasury Policy is subject to the delegated authorities.

2. SCOPE

This Policy applies to all employees of the Pacific Energy Group.

The treasury function within the Pacific Energy Group is responsible for the management of the following risks which are addressed in this Policy:

- Credit profile;
- Liquidity and funding;
- Interest rate;
- Foreign exchange;
- Cash management; and
- Counterparty credit risk.

The Pacific Energy Group considers the implementation of a policy on financial risk management necessary to ensure:

- Management (both those associated directly with the treasury function and at business unit level) considers all aspects of the Pacific Energy Group's financial risks;
- The staff responsible for the management of financial risks understand the Pacific Energy Group's objectives and 'risk appetite' in managing financial risks as well as the limits of their authority;
- Financial risk management activities are undertaken in a controlled manner;
- It provides the basis for the continued development of procedures, controls and systems to effectively manage the operational risk associated with financial risk management activities; and

- Compliance with the Pacific Energy Group's borrowing covenants and organisational benchmarks.

3. POLICY STATEMENT

3.1 Credit Profile

The Pacific Energy Group will target a credit profile that will ensure an appropriate level of financial flexibility to meet its strategic growth requirements and allow it to maintain access to, and have the confidence of, the debt markets over time.

The Pacific Energy Group aims to target the financial metrics below as a matter of comfort however at all times will remain within the banks required ratios:

- Net Debt / EBITDA of less than [2.75x]; and
- EBITDA / Net Interest of greater than [4.5x].

3.2 Funding of Capital Expenditure

The Pacific Energy Group will fund its capital expenditure in line with the target Pacific Energy Group credit profile.

The Pacific Energy Group is a capital intensive business, and the approach to funding capex is at the core of the Pacific Energy Group's credit profile maintenance.

The Pacific Energy Group may choose to fund capital expenditure (growth or maintenance) using a mix of additional debt, operating cash flows or retained dividends. In determining the appropriate funding source for any capital expenditure, the Pacific Energy Group will have regard to the target credit profile outlined in this Policy.

In addition to the above, the Pacific Energy Group will ensure that any capital expenditure funding and/or reserving requirements imposed by debt providers are complied with.

3.3 Liquidity Risk Management

The Pacific Energy Group will ensure that adequate liquid assets and committed funding sources are available at all times to meet both short and long term commitments of the Pacific Energy Group in an orderly manner as they fall due, and that the Pacific Energy Group has short term liquidity available to meet its non-discretionary financial obligations in the event of a crisis.

The Pacific Energy Group will, at any point in time, maintain sufficient liquidity (including forecast cashflows, cash and liquid investments, and undrawn facilities maturing beyond 6 months) to fund operating and capital expenditure, finance costs and working capital forecasts for the next 12 months. In addition to the above, the Pacific Energy Group will ensure that any reserving requirements imposed by debt providers are complied with.

The Pacific Energy Group's long-term liquidity exposure will be managed by forecasting cash flow surpluses/deficits in future years and planning so as to ensure they are able to be utilised / met.

3.4 Funding Risk Management

The Pacific Energy Group will ensure that it has available the appropriate level of funding to meet its overall business objectives (including capital expenditure and investment opportunities) and to execute its Business Plan.

The Pacific Energy Group's asset base is AUD-denominated, and as such all funding will be in AUD, or will be converted to AUD at commitment to drawdown.

3.4.1 Maturity Profile

Until total committed Pacific Energy Group debt exceeds $300m, the Pacific Energy Group may have a single maturity date in respect of external debt facilities.

3.4.2 Refinancing Risk Management

To reduce refinancing risk the following guidelines will be adopted in relation to significant impending debt maturities:

- No less than 12 months ahead of maturity, the Pacific Energy Group would have a detailed and credible refinancing plan (including a contingency plan and analysis of the relevant credit metrics);
- No less than six months ahead of the maturity, the Pacific Energy Group would have documentation substantially in place for the replacement debt issue/s; and
- No less than three months ahead of the maturity, the refinancing would be essentially completed, committed, or underwritten.

For the avoidance of doubt, the points above are not the Pacific Energy Group's policy control limits, and do not require compliance. They are for guidance purposes only.

3.4.3 Funding Diversity

Sources of funding should be diversified to reduce refinancing risk. Until total committed debt exceeds $300m, the Pacific Energy Group may have a single source of funds (i.e. market) in respect of external debt facilities, however should seek to maintain bank lines with at least two lenders.

The Pacific Energy Group shall also ensure it maintains appropriate bank relationships to implement its financing requirements on the most appropriate terms.

3.4.4 Reporting of Funding Risk Management

The Pacific Energy Group shall report to the Board on a quarterly basis the liquidity of the group in the form of a liquidity profile, showing projected gross and net debt levels versus total committed facilities, and report on compliance with the minimum liquidity requirements.

The management report will also include a table of all financing, capital markets, debt and lease facilities. The table will show the size of the facilities, the maturity date, the amount drawn and mark-to-market valuations in respect of any derivative products.

To manage refinancing risk the CFO will prepare a "traffic light" assessment of each of the Pacific Energy Group's debt facility's refinancing risk based on the following table:

Green	• No requirement for refinancing of that facility within 12 months and confident that future refinancing will be on acceptable terms and conditions when due.
Amber	• No requirement for refinancing of that facility within 12 months, however uncertain whether future refinancing will be on acceptable terms and conditions when due; or • Refinancing of that facility required within 12 months and confident that the refinancing will be on acceptable terms and conditions.
Red	• Refinancing of that facility required within 12 months and uncertain whether future refinancing will be on acceptable terms and conditions when due; • Refinancing of that facility required within six months and Pacific Energy Group has not substantially documented terms and conditions for the refinancing with financiers; or • Refinancing of that facility required within three months and Pacific Energy Group has not received fully credit approved / committed terms from the financiers for the refinancing.

Upon any facilities being noted as "Amber" or "Red", a formal debt strategy/refinancing options paper will be completed by the Pacific Energy Group. The debt strategy/refinancing options paper will include, but not be limited to:

- Assessment of available financing options for the Pacific Energy Group, and an assessment of how each would fit within Pacific Energy Group's policy limits (including maturing profile, funding diversity, counterparty concentration etc., if any);
- Indicative tenor, "all-in" pricing, execution costs and terms and conditions associated with each financing option;
- Refinancing timeframe and risks associated with each financing option; and
- Recommended execution strategy.

3.5 Interest Rate Risk Management

The Pacific Energy Group will manage its interest rate risk to minimise the impact of adverse interest rate movements on credit metric ratios and distributions, whilst ensuring that an appropriate level of flexibility exists to accommodate potential changes to funding requirements. The purpose of interest rate risk management is explicitly not to generate additional profits through active position taking or speculative transactions.

The Pacific Energy Group will manage its interest rate risk based on the risk control limits set out below, on a rolling basis, over Core Senior Debt. "**Core Senior Debt**" is defined as total drawn senior borrowings which are expected to remain outstanding for at least one year (excluding working capital facilities).

3.5.1 Interest Rate Hedging Approach

The Pacific Energy Group will manage its interest rate risk on the following basis:

- At least 75% of its Core Senior Debt will be hedged;
- No more than 100% of its Core Senior Debt will be hedged; and
- The tenor of the hedges will:
  - o Hedge against interest rate risk until at least the date falling 3 months prior to the applicable maturity date of the tranche to which it relates; and
  - o Not exceed the maturity of each relevant debt tranche. However, the Pacific Energy Group will monitor and consider whether hedging beyond existing debt maturities is appropriate based on the Pacific Energy Group's medium term cashflow forecasts and level of interest

rate risk exposure within Pacific Energy Group and recommend such strategies to the Board if considered appropriate.

Fixed rate debt will be considered as "hedged" for the purposes of these calculations. Any new floating rate debt will be hedged at the time of commitment if required to meet these policy limits.

In addition to the above, the Pacific Energy Group will ensure that any hedging requirements imposed by debt providers are complied with.

3.5.2 Other Interest Rate Hedging Requirements

Interest rate hedging will be placed for competitive tender.

At all times the Pacific Energy Group's interest rate risk management is restricted to hedging underlying business exposures only. Speculative interest rate hedging positions are not to be taken.

3.5.3 Interest Rate Risk Management Instruments

It is the Pacific Energy Group's policy to use only the following interest risk management instruments:

- Forward rate agreements;
- Interest rate swaps;
- Interest rate swaptions; and
- Interest rate options, including interest rate collars:
  - Interest rate options are not permitted to be sold outright. However, 1:1 collar options structures are allowable whereby the sold option is matched precisely in amount and maturity date to the simultaneously purchased option. During the term of a collar the sold option only, or both sides of the collar, can be closed out; and
  - Options with an exercise rate greater than 2.00% above the equivalent period interest rate cannot be counted as part of the fixed rate cover percentage calculation. For example, a two-year cap at 5.00% would only count as a fixed rate hedge if the underlying two-year swap rate was greater than 3.00%.

3.6 Foreign Exchange Risk Management

The Pacific Energy Group will manage its foreign exchange risk to minimise the impact of adverse foreign exchange rate movements on funding requirements and distributions. The purpose of foreign exchange risk management is explicitly not to generate additional profits through active position taking or speculative transactions.

The Pacific Energy Group will manage its foreign exchange rate risk relating to all material foreign exchange exposures, including operating and/or capital expenditure commitments, international debt issuances raised in foreign currency, and any other foreign exchange exposure.

3.6.1 Foreign Exchange Hedging Approach

The Pacific Energy Group will manage its foreign exchange risk on the following basis:

- All purchases of items in foreign currency with a AUD equivalent value greater than $1m are to be hedged into AUD within five business days of committing to the purchase; and
- All foreign currency borrowings are to be hedged into AUD at the time of commitment to drawdown.

In addition to the above, the Pacific Energy Group will ensure that any hedging requirements imposed by debt providers are complied with.

3.6.2 Other Foreign Exchange Hedging Requirements

Foreign exchange hedging will be placed for competitive tender.

At all times the Pacific Energy Group's foreign exchange risk management is restricted to hedging underlying business exposures only. Speculative foreign exchange hedging positions are not to be taken.

3.6.3 Foreign Exchange Risk Management Instruments

It is the Pacific Energy Group's policy to use only the following foreign exchange risk management instruments:

- Cross currency swaps;
- Spot and forward foreign exchange; and
- Foreign exchange options (purchase only).

3.7 Cash Management

The Pacific Energy Group will ensure that it holds a prudent level of cash within the Business, and that the application of cash is appropriately prioritised, having regard to the Distribution Policy.

The Pacific Energy Group's Distribution Policy outlines the framework for determining whether surplus funds will be utilised to reduce debt, retained within the Business for future capital requirements, or distributed to shareholders.

Subject to compliance with the finance documentation, surpluses which cannot be used effectively to reduce cash management borrowing or core debt are to be invested in money market call deposits. For cash shortfalls, funds must first be taken from call investments before further borrowings are made.

3.8 Counterparty Credit Risk Management

The Pacific Energy Group will ensure it minimises the risk of sustaining a loss as a result of counterparty default (including banks) on third party debt instruments, deposits and derivatives.

Treasury transactions (including hedging contracts and cash deposit investments) and undrawn credit lines can only be entered into or maintained with entities approved by the Board. Approved counterparties must have a minimum long term credit rating of A- / A3 / A- (S&P / Moody's / Fitch).

In the event that a counterparty's credit rating falls below BBB / Baa2 / BBB (S&P / Moody's / Fitch), the entry into further transactions can only occur with the posting of appropriate credit support and with approval of the Board.

4. ASSURANCE REPORTING

The Pacific Energy Group will utilise assurance reporting to both monitor ongoing and forecast compliance with any external or internal financial metrics.

4.1 Financial Covenant and Other Covenant Compliance

The treasury function must maintain such monitoring and reporting procedures to ensure the Pacific Energy Group does not breach any of its:

- Financial ratios imposed as part of a third-party financing;
- Any other covenants, undertakings and / or representations and warranties under third party financing agreements,

and that early warning systems are in place to detect potential breaches.

Appropriate cash flow reporting mechanisms will be maintained to monitor the Pacific Energy Group's liquidity position and will include forecasting against all financial covenants until the date that is five years after the date of the last maturing debt financing tranche.

4.2 Reporting of Breaches of Policy or Procedures

Management must comply with this Policy and provide positive confirmation to the Board on a quarterly basis of such compliance (including compliance with any obligations under external finance documentation).

Where a breach of this Policy has occurred, it will be reported immediately to the CFO and CEO, and advised to the Independent Chairperson as soon as possible and at the next Board meeting along with the reason for the breach and action taken to return to Policy compliance.

The Board may approve treasury positions outside of specific Policy controls.

5. REVIEW

The Pacific Energy Group will ensure that this Policy will be reviewed and if necessary modified to ensure that treasury risks within the Pacific Energy Group continue to be well managed.

The CEO will monitor the effectiveness and review the implementation of this policy, considering its suitability, adequacy and effectiveness. Any improvements identified will be made as soon as possible.

- Industry 'best practices' for a company the size and business type of the Pacific Energy Group;
- The risk bearing ability and tolerance levels of the underlying business and its shareholders;
- The effectiveness and efficiency of the Treasury Policy to recognise, measure, control, manage and report on the Pacific Energy Group's exposure to market interest rate risks, funding risks (including refinancing and maturity risk), liquidity risks and other associated risks; and
- The robustness of the Policy's risk control limits and risk spreading mechanisms against normal and abnormal interest rate market movements and conditions.

The Treasury Policy may not be amended without Shareholder Special Majority approval.

Jamie Cullen
Group CEO
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