



PACIFICENERGY

25 April 2018

ASX ANNOUNCEMENT

Settlement of Contract Power Acquisition and New 52MW Contract

Pacific Energy Limited (“Pacific Energy” or the “Company”) is pleased to announce that it has completed the acquisition of the businesses known as Contract Power Group (“Contract Power”).

The acquisition was announced on 23 March 2018 and following satisfaction of all conditions precedent and completion of bank funding arrangements, settlement has now taken place.

This is a significant transaction for Pacific Energy, providing access to a new growth platform through an expanded portfolio of remote electricity supply contracts, new customer and industry relationships as well as establishing a foothold in the market for gas, diesel and hybrid electricity supply to remote Australian townships.

The acquisition also provides Pacific Energy with EPC capabilities and the Company is very pleased to advise that Contract Power has secured a contract with Mineral Resources Ltd (“MRL”) to construct a 52MW gas fired power station at MRL’s Wodgina Lithium Project in North Western Australia. Commissioning and handover is estimated to be completed in December 2018.

Managing Director, Jamie Cullen, welcomed Leon Hodges and his Contract Power team to Pacific Energy. Mr Hodges commented “I’m looking forward to this exciting new phase for the business and am particularly pleased to be able to confirm the Wodgina EPC contract with Mineral Resources. At 52MW (with infrastructure designed and built to expand to 64 MW) we understand this is one of the largest high speed reciprocating gas power stations in the mining sector and we are already well underway with the early works”.

Contract Power has been acquired by Pacific Energy on a debt free/working capital neutral basis. The \$85 million cash component has been funded from a new \$140m debt facility provided by ANZ and NAB.

As previously announced, the Company will now proceed with a renounceable rights issue to raise approximately \$21 million for general working capital purposes. The rights issue prospectus is expected to be lodged and dispatched to Shareholders within the coming week.

A summary of the material terms of the rights issue and debt facility is provided overleaf.

The Company also wishes to confirm that the previously announced share buy-back will remain suspended until further notice.

Please contact the Company Secretary, Michael Kenyon should you require any further information.

End

MATERIAL TERMS OF RIGHTS ISSUE	
Entitlement	1 new share for every 9 shares owned
Issue Price	50 cents per share
Amount to be raised	\$21.45 million
Underwritten	No. However the Company's major shareholder and other directors have committed to take up their entitlements which collectively amount to \$10.55m. Additionally, the Company's Managing Director will partially underwrite the rights issue for up to \$500,000 for no fee.
Renounceable	Yes
Rights Trading Dates	1 May 2018 to 21 May 2018
Top Up Facility	Up to \$2 million of any shortfall available to existing shareholders
Employee Facility	Up to \$1 million of any shortfall (after Top Up Facility) available to employees
Prospectus Lodgement	26 April 2018
Record Date	2 May 2018

MATERIAL TERMS OF DEBT FACILITY	
Facilities	The loan facility consists of three individual facilities: <ul style="list-style-type: none"> • Facility A: an Australian dollar term loan facility in an aggregate amount of A\$80,000,000 for the purpose of the Contract Power Acquisition and refinancing substantially all of certain existing facilities made available to subsidiaries of the Company; • Facility B: an Australian dollar term loan facility in an aggregate amount of A\$20,000,000 for the purpose of the Contract Power Acquisition and refinancing substantially all of certain existing facilities made available to subsidiaries of the Company; and • Facility C: an Australian dollar revolving multi-option credit facility in an aggregate amount of A\$40,000,000 for general corporate purposes.
Term	Three 3 years.
Interest	Interest is payable at a market banking rate (the default rate being the Australian Bank Bill Swap Reference Rate) plus a 1.1% margin.
Obligors	The following subsidiaries of the Company: <ul style="list-style-type: none"> • Pacific Energy (KPS) Pty Ltd; • Waste Heat Recovery Systems Pty Ltd; • Contract Power Assets Pty Ltd; and • Contract Power Land Pty Ltd, Contract Power Australia Pty Ltd (subject to shareholder approval under section 260B of the Corporations Act - described below) and such other entities which accede as obligors from time to time.
Security	The loan facility is secured over the assets of the Kalgoorlie Power Systems and Contract Power businesses.
Undertakings	The loan facility contains a number of undertakings from the Obligors to the lenders that are considered customary for an agreement of this type, including: <ul style="list-style-type: none"> • (Leverage Ratio) ensuring that at all times the leverage ratio of the obligor group for the period up to and including 31 December 2018 is not greater than 3.00:1.00 and for the period from and including 1 January 2019 is not greater than 2.50:1.00; • (Contracted Cash Flow Coverage Ratio) ensuring that on and from 31 March, 30 June, 30 September and 31 December each year the contracted cash flow coverage ratio of the obligor group is not less than 1.50:1.00;

	<ul style="list-style-type: none"> • (Debt Service Cover Ratio) ensuring that on and from 31 March, 30 June, 30 September and 31 December each year the debt service cover ratio of the obligor group is not less than 1.25:1.00; • (Tangible Net Worth) ensuring that on and from 31 March, 30 June, 30 September and 31 December each year the tangible net worth (being total tangible assets less total liabilities) is not less than A\$73,000,000 before completion of the rights issue and not less than A\$100,000,000 post completion of the rights issue; • (Accession of Obligors) ensuring that each wholly owned target and subsidiary becomes an obligor within 30 days of the acquisition or creation (as relevant) or, if such accession would require approvals in respect of financial assistance under section 260B of the Corporations, 60 days of its acquisition or creation (as relevant); and • (Other) other customary terms, such as a negative pledge and restrictions on the disposal of assets, incurring financial indebtedness, providing financial accommodation and making certain distributions.
<p>Events of Default</p>	<p>The loan facility contains a number of events of default that are considered customary for an agreement of this type. An event of default occurring will allow the lenders to accelerate repayment of the loan facility. These include:</p> <ul style="list-style-type: none"> • (Cross Default) an event of default occurs under any finance document or any financial indebtedness of an obligor totalling at least A\$1,000,000 is not paid when due (taking into account any applicable grace period) or becomes capable of being declared due and payable before its stated maturity date as a result of an event of default; • (De-Listing) without the consent of all lenders, Pacific Energy is removed from the official list of ASX Limited; • (Compliance with Section 260B): Contract Power Australia Pty Ltd or the Company fail to obtain within 60 days of the effective date all necessary shareholder approvals required by section 260B of the Corporations Act in respect of financial assistance in connection with the acquisition of Contract Power Australia Pty Ltd; • (Undertakings) a breach of the undertakings which is not remedied within the relevant remedy period; and • (Other) other customary events of default, such as failure to pay, insolvency and material adverse effect.
<p>Review Events</p>	<p>The loan facility contains a number of review events that are considered customary for agreements of this type. These include:</p> <ul style="list-style-type: none"> • (Change of Control) A change of control occurs in respect of an obligor or Contract Power Australia Pty Ltd; • (Suspension) the Company's shares are suspended from quotation on ASX Limited, other than as a result of a voluntary suspension or a suspension from quotation, in each case extending for a period of not more than 5 business days; • (Material Documents) any material document becomes voidable, illegal or unenforceable or an obligor or a counterparty to a material document rescinds, discharges (except by performance), cancels, suspends or terminates, or accepts the repudiation of, a material document (subject to the receipt of certain payments in respect of such events and the application of such payments in accordance with the terms of the finance documents); and • (Rights Issue) the rights issue is not completed within 3 months of drawdown of the loan facility or the total amount raised by the rights issue is less than A\$20,000,000.

ASX ANNOUNCEMENT (CONTINUED)



	<p>If a review event occurs the Company and the lenders must negotiate in good faith for 30 days to amend the finance documents or develop a strategy in relation to the circumstances giving rise to the review event. If an agreement is not reached, the lenders may notify the Company as to whether they wish to continue to participate in the facilities. If a lender notifies that Company that it does not wish to continue to participate in the facilities, all monies relating to that lender's facilities must be repaid within 90 days of such notice.</p>
Guarantee	<p>Each Obligor guarantees the obligations of the other Obligors under the loan facility.</p>